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INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

TEMPORARY NATIONAL ECONOMIC COMMITTEE

A STUDY MADE UNDER THE AUSPICES OF THE DEPARTMENT OF COMMERCE FOR THE TEMPORARY NATIONAL ECONOMIC COMMITTEE, SEVENTY-SIXTH CONGRESS, THIRD SESSION, PURSUANT TO PUBLIC RESOLUTION NO. 113 (SEVENTY-FIFTH CONGRESS), AUTHORIZING AND DIRECTING A SELECT COMMITTEE TO MAKE A FULL AND COMPLETE STUDY AND INVESTIGATION WITH RESPECT TO THE CONCENTRATION OF ECONOMIC POWER IN, AND FINANCIAL CONTROL OVER, PRODUCTION AND DISTRIBUTION OF GOODS AND SERVICES

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TRADE ASSOCIATION SURVEY

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MONOGRAPH No. 18

TRADE ASSOCIATION SURVEY

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(Signed) JOSEPH C. O'MAHONEY,
Chairman, Temporary National Economic Committee.

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LETTER OF TRANSMITTAL

HON. JOSEPH C. O'MAHONEY,

*Chairman, Temporary National Economic Committee,
Washington, D. C.*

MY DEAR SENATOR: I have the honor to transmit herewith a trade association survey by Dr. C. A. Pearce and associates in the Department of Commerce.

The national trade association is an important factor in the business world. In the past, numerous legal, philosophical, and economic analyses have appeared in magazines and book form. Elaborate studies have been made of individual cases. An over-all picture drawn from an adequate basis of fact, however, has been largely missing. The present study sketches in the full pattern, so that one can better evaluate the movement as a whole, at least in terms of certain tangible measures.

There are obvious difficulties facing any effort to bring the more than 1,000 national trade associations into any neat summary description. No exact legal requirements establish a required particular pattern. The underlying industries and trades show wide variety in function, structure, and opportunity for cooperative action. Individual business leaders and particularly the trade association executive himself have given differing emphasis to the processes of development of their own organizations. The trade association is an intermediate stage between the integration of an industry's activity through merger and consolidation into a single or small number of units, and the maintenance of many completely independent, competing enterprises. It establishes a functional area of cooperative action, yet leaving its members free to act independently in other areas. As the report shows, the extent of this area of cooperation varies widely among associations. From the point of view of the public interest, and also from the trade associations themselves, the question of the proper area for cooperative action is the prime problem of private and public policy involved.

There are various limitations on this report which should be noted. It is primarily an analysis of the characteristics and activities of trade associations since the N. R. A. and for the most part disregards the historical aspects of the movement. The very important subject of local associations has been only summarily treated, although recent investigations by the Department of Justice suggest that this area may be of considerable importance in its effect on business activity and policy. Furthermore, the report is based primarily on the statements and records of associations themselves, supplemented by records of investigation made by various Government agencies. Valuable as it would have been for an over-all picture, it would have been impossible to obtain a picture from the business community as a whole of its reaction to the trade association movement. Here one is faced with various intangibles which can only be understood and

evaluated in careful studies of individual situations. However, with the broad background provided by this report, such individual studies should have an enhanced value.

Fortunately, the trade associations themselves have been greatly interested in this study. Their executives, at the cost of considerable time and expense, have demonstrated their interest and cooperation by providing information in great detail in response to questionnaires and to subsequent inquiry. The exceptions were conspicuous by their rarity.

Assisting in the preparation of the study were John M. Jacobs, who wrote chapter VI; C. J. Judkins, chapter VII and appendix C; Enid Baird Lovell, the bulk of chapter V; and James W. McNally, chapter IV and parts of chapter V. John J. Lennon and Laps D. McCord conducted the various statistical analyses; and Isidore Bady, W. H. Corey, Paul Howell, Charles Sevin, Iona Simi, Helen E. Wells, and others, significantly contributed to various phases of the survey.

Thanks are due a number of agencies and individuals outside of the Department of Commerce for aid in connection with the preparation of the study. The United States Tariff Commission loaned for a period of time the services of John M. Jacobs and W. H. Corey for an analysis of the cost accounting activities of trade associations. The Federal Trade Commission and the Department of Justice freely made available various records and files relating to trade association activities. The Committee on Cooperation with the Department of Commerce of the American Trade Association Executives advised in the planning and conduct of the study and gave valuable criticism of Chapters I to VII of the preliminary manuscript. Among others who reviewed one or more sections of the manuscript were James Lawrence Fly, Edwin B. George, H. F. Taggart, R. P. Marple, and officials of several trade associations. The aid obtained from these individuals and organizations of course does not in any way establish any responsibility on their part for the contents or conclusions of the study. The conclusions are those of the individuals responsible for the report, and are not presented as those of the Department.

WILLARD L. THORP.

Adviser on Economic Studies, Department of Commerce.

CHAPTER I

GENERAL CHARACTERISTICS

A "trade association," as it is considered in this report, is a voluntary, nonprofit organization of enterprises engaged in a particular kind of business. Such enterprises may be individuals, partnerships, or corporations, and in nearly all associations are competitors.¹

Although most trade associations are unlimited in purpose, that is are organized to obtain for their members every appropriate benefit of cooperation, there are some that are organized for a special purpose and carry on only one major activity, such as the collection and dissemination of trade statistics. The singular nature of these "special-purpose" associations, however, often exists in name only. Where it is the only association in the industry, such a group usually serves as a center of information and carries on one or more additional activities found among "general-" or "full-purpose" trade associations. The value of the distinction applies mainly to industries where in addition to a general-purpose trade association an association is established to carry on an activity which only some members are sufficiently interested in, or can afford, to support; associations engaged in the field of public relations and trade promotion represent the most common organizations of this type.²

An indication of the types of association in the field of business that have not been covered may clarify the scope of the present survey of trade associations. Associations embracing enterprises in many lines of business were not considered to be trade associations. Outstanding examples of such associations are the Chamber of Commerce of the United States and the National Association of Manufacturers. Other examples are the Association of National Advertisers, whose membership is open to any business enterprise using or interested in national advertising, and the National Foreign Trade Council, whose members embrace every type of enterprise engaged in or interested in promoting foreign trade. Also excluded were associations of technicians and other professional persons, such as engineers, lawyers, and accountants, and groups of semiprofessional, business employees, such as plant superintendents, ship foremen, and purchasing agents. Other business groups which it was not found possible to cover were retailer-owned, and wholesaler-sponsored, cooperatives; commodity

¹ The extent of actual or potential competition between the member enterprises varies, of course, from association to association, depending principally on the extent of the geographical concentration of the members and of their markets and on the number of products made or sold by the various members as compared with the number covered by the association. There are a few national and regional trade associations (less than 6 in number) whose members are not competitors. These associations are in distribution and service trades, and their principal purpose is the promotion of a special type or brand of product or service. Their membership is limited to one firm in each trading area.

² Such special associations sometimes are organized by members of several industries, each of which has its own general-purpose trade association, whose point of mutual interest is that they serve a common group of buyers.

and security exchanges; producers cooperatives and other associations in the field of agriculture; and professional ball leagues and other professional athletic groups.

The present survey is largely confined to national and regional trade associations, of which approximately 1,505 were active in June 1938.³ It was not found possible to canvass the some 6,000 State and local trade associations, estimated to exist in 1938.⁴ Associations whose membership was open to an entire industry were considered to be "national" in scope, except in those cases in which it was clear that the association actually was undertaking to represent a smaller geographic segment of the industry than was indicated by its eligibility provisions. Associations similarly representing an industry in a certain region only, if that region embraced an area larger than a single State, were classified as "regional" in scope. Included in the latter classification were a number of associations that confined their membership to enterprises located within a State, when these enterprises represented a substantial part of the entire industry in the United States.⁵

Of the 1,505 national and regional trade associations, sufficient information was obtained to include 1,311 associations in one or more of the tabulations presented in this report.⁶ Exhibit I shows, by major industrial groups, the number of trade associations included in the survey and the approximate number on which insufficient information was obtained. This table indicates that of the 1,311 trade associations included in the survey, 7 are in the fishing industry, 858 in the mining, manufacturing, and construction industries, 147 in wholesale trade, 85 in retail trade, 23 in the finance and real estate field, 67 in the insurance field, 69 in the field of transportation, communication, and other public utilities, and 55 in the personal, business, and recreational service trades. These associations represent the following percentages of the estimated total number of associations in their respective fields:

All.....	87
Fishery.....	78
Mining, manufacturing, and construction.....	92
Wholesale trade.....	85
Retail trade.....	86
Finance and real estate.....	79
Insurance.....	66
Transportation, communication, and other public utilities.....	83
Personal, business, and recreational services.....	71

Over a third of the 194 associations not included in the survey are regional in scope and without exception are found in branches of industry in which there are national or other regional associations that are included in the survey. It is conservatively estimated that between 30 and 40 of the 194 associations are limited-purpose groups, principally credit bureaus and special insurance groups, in industries that are represented by general-purpose associations. The repre-

³ Exclusive of 44 export associations organized under the Webb-Pomerene law of 1918.

⁴ See appendix D.

⁵ As a general rule, "substantial" was interpreted to mean 20 percent or more by volume. Lack of precise information concerning the State's share of the total business of an industry probably resulted in departures from this rule in some cases. A few State associations federated with national associations in the field of manufacturing were included, even though it was clear that the State's share of the total was less than 20 percent.

⁶ See appendix B for a description of the procedure followed in canvassing the trade associations.

sentative character of the group of associations included in the survey perhaps is best indicated, however, by the fact that among them, with very few exceptions, are found the several leading associations in every line of industry.

The geographic scope of national and regional trade associations included in the survey is shown in table 1. Of the total of 1,311 associations 898, or 68 percent of the total, have been classified as "national" in scope. The membership of three of these associations is located within the boundaries of single States. Two of these associations are in the anthracite coal industry; the third is the California Redwood Association. Four hundred and thirteen, or 32 percent of the total, have been classified as "regional" in scope. The membership of 348 of these regional associations is located in more than one State, that of 65 within single States. The 65 associations are heavily concentrated in the New York garment industry and in the New York importing, jobbing, and brokerage businesses. Several, of which the Dried Fruit Association of California is a good example, are found in the food industry. The remainder of this group of 65 associations are well scattered among the other industrial groups.

As might be expected, trade association headquarters are concentrated in the important commercial and industrial centers. An outstanding exception to this is the relatively large number of associations whose headquarters are in the District of Columbia, which reflects the emphasis placed by trade associations on Government relations. As is shown in exhibit II, 499, or 38 percent of the 1,311 associations included in the survey, are located in New York; 216, or 16.5 percent of the total, in Illinois; 86, or 6.6 percent, in the District of Columbia; 70, or 5.3 percent, in Ohio; and 63, or 4.8 percent, in Pennsylvania. Other States ranking among the first 10 are Massachusetts, California, Washington, Michigan, and Missouri. These 10 States account for approximately 85 percent of the total number of associations.

TRADE ASSOCIATION MEMBERSHIP

Trade associations require that the candidate, to be eligible for voting membership, be engaged in business in the industry and area covered by the association. It is frequently provided that the candidate must have been a member of the industry for a certain period of time before he can be admitted as an association member. This period usually is less than 2 years, although some associations require a longer period, in a few cases as great as 5 years. Some associations provide that during such a period of apprenticeship a candidate is eligible for associate, or nonvoting, membership.

There appears to be little duplication in the industrial coverage of national and regional trade associations. The 1,311 trade associations included in the survey cover as many as 1,031 differently defined industries.⁷ Of these 1,031 industries, 897 are represented by only 1 association; 29, accounting for 65 associations, by more than 1 national but no regional associations; 60, accounting for 198 associa-

⁷ It is assumed that there is no duplication in industrial coverage between the parent association in a federation of product groups and the affiliated associations covering the individual groups; or in cases in which an association limits its membership to one of the several lines of product covered by an independent association of broader industrial scope.

tions, by 1 national and 1 or more regional associations; 26, accounting for 62 associations, by more than 1 regional but no national associations; and 19, accounting for 48 national and 41 regional associations, by more than 1 national and 1 or more regional associations. It can be seen, therefore, that there are only 65 national associations that can be said to have an industrial coverage identical with that of some other national association.⁸ Of this number, 33 are limited-purpose associations coexisting in the same industry with general-purpose associations. Most of these groups were established to carry on work in the field of public relations and trade promotion and have a smaller membership than the general-purpose association in the field. Among the other limited-purpose groups are found a scattering of agencies collecting and disseminating credit and traffic information, an association registering trade-marks, an association of open-shop employers, a technical research group, an association administering a patent cross-licensing arrangement, an association established to protect members (jewelers) against theft and fraud, and several special-purpose associations in the field of insurance.

This leaves a number of cases in which more than one general-purpose association covers the same industry or trade. The duplication in many of these cases may be explained on the ground of differing or conflicting interests; thus, one association may represent the "independent" interests, whereas the other represents the "chain-store" or "affiliated" interests in the trade; or one may represent the smaller members and the other the larger members of the industry or trade. In another group of cases, associations having identical or nearly identical membership evidently have split their functions, so that, for example, one compiles and disseminates statistics and traffic information, while the other operates in the field of public relations, trade promotion, and research. Of the entire list, there appear to be only three or four industries in which the existence of more than one association can be explained as being primarily a matter of rivalry for membership.

Ordinarily, trade associations are defined to cover one industrial function only, such as manufacturing, wholesaling, or retailing. Inasmuch, however, as some manufacturers perform a wholesaling or retailing function and manufacturers, wholesalers, and retailers in many commodity lines compete directly for the same market, or face identical or similar problems in maintaining product acceptance or in meeting hostile legislation, it is not surprising to find that some associations define their industry to embrace more than one industrial function.⁹ As is indicated in table 2, 52 associations of producers (mining, manufacturing, and construction), or 6 percent of the total, admit wholesalers, retailers, or both wholesalers and retailers as voting members. A somewhat larger proportion of the wholesalers' associations, 15 percent of the total, and of retailers' associations, 11 percent of the total, extend voting membership to enterprises in other stages of the industrial process. Table 2 also indicates that associate,

⁸ There are 113 national associations (65+48) involved in duplication, but since there are 48 industries (29+19) there are only 65 national associations that duplicate the coverage of other nationals.

⁹ It will be recalled that one of the points of conflict between the N. R. A. and representatives of industry arose from the efforts of many groups of manufacturers to include distributors within the jurisdiction of their codes, or at least within the scope of the code trade practice provisions.

or nonvoting, memberships are sometimes established on this basis. A similar type of associate membership, found in some 40 trade associations in the producing industries, embraces enterprises from which the regular members buy materials, machinery, or equipment.¹⁰

In addition to the requirement that a candidate be a member of the industry covered by the association, two other basic eligibility provisions are found in the constitution or bylaws of trade associations: Members must adhere to the standards of good behavior established by the association and must not become arrears in their dues. The vigor with which the dues-paying requirement is enforced, of course, varies considerably among associations, and standards of conduct are so ill-defined as to render meaningless the former provision in many cases.

Other than these basic requirements, restrictions on eligibility for voting membership are found in the constitution and bylaws of few trade associations. Analysis of the eligibility provisions of 1,050 associations in the fields of mining, manufacturing, construction, wholesaling, and retailing for which constitutions and bylaws were available, reveals that less than 10 percent established additional membership requirements. Two requirements stood out: One, found particularly in apparel industries, providing that members must deal with labor unions; and the other, showing a slight concentration in food and allied industries, providing that members must distribute their products through certain channels. Among other provisions revealed in this analysis were those limiting membership to enterprises of a certain size or doing a certain volume of business, to enterprises representing "independent" interests, enterprises selling within specified price ranges, enterprises operating on a nonintegrated basis, and enterprises conducting their business on an open-shop basis.

Through establishing associate, or nonvoting, membership privileges, some trade associations place themselves in a position to benefit from the experience and prestige, as well as financial assistance, of persons and enterprises outside the industry. As has already been seen, these memberships sometimes are extended to firms at another stage in the manufacturing and distribution process. Somewhere between 100 and 150 other associations in the fields of mining, manufacturing, wholesaling, and retailing extend a blanket welcome to members of "allied industries" or to all "interested parties." Including these and other provisions of a special nature, fewer than a third of the trade associations in these fields, however, provide for associate memberships.

The number of voting members represents the number of enterprises that are members of an association.¹¹ Based on reports from 1,185 national and regional associations, the average number of voting members during the period, 1937-38, was 362. Among the industrial divisions, the average number of members ranged from 106 in manufacturing to 2,417 in retailing. As is indicated in table 3, there is a wide variation from the average in most of the industrial divi-

¹⁰ A prominent trade association executive has stated that: "If the annual fee for the service provided is reasonable, the value may adequately compensate such associate members for the cost. On the other hand, in some cases, it may amount to a shake-down."

¹¹ Voting memberships occasionally are open to individuals not engaged in business in the industry, or are established on an establishment, rather than firm, basis. Except for estimates of total membership, the data on number of members presented in this report do not include associations having voting members of this type.

sions. Thus, in the field of manufacturing, mining, and construction, although 43 percent of the associations had fewer than 20 members, there were several whose membership exceeded 2,000. The range in number of members was greatest in the retail trade, from less than 10¹² to over 10,000. The total number of members of national and regional trade associations in 1938 probably did not exceed 550,000; and for manufacturing alone the total may be estimated as having approximated 80,000.¹³

In an effort to determine the extent the trade association coverage in the various fields, every association was asked to indicate the percent of the industry which it represented (1) by number of firms and (2) by volume. Many trade associations included in the survey were unable to report this information; the replies of others had to be discarded, particularly where the meaning of the figures was obscured by a multiplicity of product lines or industrial functions represented. Of the 1,311 trade associations included in the survey, the replies of 917, concerning representation by number of firms, and of 895, concerning representation by volume of business, proved usable. Recognizing that the information reported by some of these associations was inexact, these figures have been tabulated in intervals of 25 percent.

As is indicated in table 4, approximately 50 percent of the associations reported that they represented more than 50 percent of the firms in their respective industries. Among the industrial divisions, the heaviest concentration in this bracket occurs in finance and real estate, followed by wholesale trade, and then by mining, manufacturing, and construction. The majority of associations in the retail and service fields, on the other hand, represent less than 50 percent of the firms in trades covered by them.

The coverage of trade associations is much greater when measured in terms of the proportion of the industry's volume of business represented by the members, as can be seen in table 5. Approximately 84 percent of the associations reported that they represented more than 50 percent of the volume of business in their respective industries; and nearly 50 percent reported that they represented more than 75 percent. Only in the field of insurance, and in the wholesale, retail, and service trades did more than 50 percent of the associations report that they represented less than 75 percent of the volume of business.

The tendency of trade associations to include the large members of the industry in their membership is further revealed in table 6. Of the 851 associations that reported coverage in terms of both number of firms and volume of business, only 31, or about 4 percent of the total, reported a lesser relative coverage in terms of volume than in number of firms; 20 of these were associations of manufacturers and 6, of wholesalers, the remaining associations being scattered throughout the other industrial divisions. On the other hand, 478, or 56 percent, of the total of 851 associations were relatively more representative in terms of business volume than in terms of number of firms, leaving 342 associations, or 40 percent of the total, whose coverage by number of firms and business volume falls in the same bracket.

¹² Examples of retail trades having very few members are those embracing mail-order houses and firms operating automatic vending machines.

¹³ These figures roughly allow for the duplication that arises from the membership of some firms in more than one national or regional trade association.

The facility with which an industry can be organized depends on a number of factors, among which one would expect the number of members of the industry to have a primary importance. In other words, one would expect that associations having the fewest members would tend to be most representative of their industry. Such a tendency is shown in table 7. Thus, of associations with less than 10 members, 63 percent include more than half the industry members, whereas the corresponding figure for associations with 100 to 249 members is approximately 34 percent, and for associations with 2,000 to 4,999 members, only 10 percent.¹⁴

That there are conditions other than the number of members that explain differences in the extent of coverage is indicated in table 7, which shows a higher degree of coverage among associations having 250 to 499 members than among those with 100 to 249 members. It happens that there are included in this class several important associations in the apparel industry whose membership is located in and around the New York metropolitan area. This suggests that the geographical concentration of an industry may be an important condition to successful organization. There are, of course, many other factors, such as degree of homogeneity in the products covered by the association, the age of the industry and of the association, the state of the industry's market, differences in the size of the members, and differences in methods of doing business, which explain variations in trade association coverage. It is not surprising to find, however, if industry groups are listed according to the extent of the coverage of their trade associations, that there is a tendency for those groups to rank highest, which, as a matter of common knowledge, have fewest enterprises and are geographically most concentrated. According to table 8, the five industry groups most highly organized on a national and regional basis, are transportation equipment (except automobiles), finance and real estate, chemicals and allied products, machinery (except electrical), and iron and steel and their products, whereas the industry groups least well organized on a national and regional basis are lumber and timber basic products, petroleum production and refining and natural gas production, retail trade, construction, and personal, business, and recreational service. Between these extremes are a number of industry groups whose trade association coverage is so nearly the same as to cast some doubt on the precise ranking that has been given them, in view of variations in the size of the industry samples.

TRADE ASSOCIATION INCOME AND STAFF

The average annual income of 1,166 national and regional trade associations during the period, 1937-38, was approximately \$48,000. Allowing for the probability that associations reporting their income on the average are somewhat larger than those that did not report this item, it is estimated that the annual income of all national and regional trade associations during the period was approximately \$70,000,000.¹⁵

¹⁴ It is notable that one association, the American Bankers Association, which has more than 10,000 members, represents more than 75 percent of the industry.

¹⁵ This is believed to be a liberal estimate. In interpreting the figure, one should keep in mind the definition of a trade association as set forth at the beginning of this chapter.

Measured in terms of income, the typical trade association is small. As is indicated in table 9, one-half of the associations had an income of less than \$15,000, nearly 30 percent had an income of less than \$5,000, and nearly 20 percent, one of less than \$2,500. Thirty-two associations reported no income; some of these reported that their activities were financed from accumulated surplus, others that there were no activities which required financing. On the other hand, 14 associations, or slightly over 1 percent of the total, reported an income of over \$500,000, accounting for approximately 30 percent of the income of all reporting associations.

A considerable variation in trade association income is found among the principal industrial divisions. Whereas only 14 percent of the fishery associations had an income of \$20,000 or more, in the finance and real estate field nearly 59 percent of the associations were in this income class. Between these extremes, approximately 57 percent of the associations in the insurance field, 47 percent of those in transportation, communication, and other public utilities, 39 percent of those in mining, manufacturing, and construction, 35 percent of those in retailing, 32 percent of those in the service trades, and 29 percent of those in the wholesale trades, had an income of \$20,000 or more.

Three hundred and nine of 795 associations in mining, manufacturing, and construction reported an income of \$20,000 or more. As may be seen in table 10, the automotive group ranked highest in terms of the percent of total associations represented by those having an income at this level. Also ranking among the first 5 were petroleum production and refining and natural gas production, paper, and allied products, lumber and timber basic products, and mining (other than coal) and quarrying. The 5 groups ranking lowest in this respect include nonferrous metals and their products, iron and steel and their products, furniture and finished lumber products, miscellaneous manufacturing, and machinery (except electrical).

Table 11 shows that associations with large memberships tend to fall in the high income brackets. There is by no means, however, a high degree of correlation between the membership and income of trade associations. Taking as a measure the proportion of associations whose income is \$20,000 or more, it can be seen that there is little difference in the income of associations having from 10 to 100 members; and that associations with 1,000 to 1,999 members have larger incomes than those with over 2,000 members.

Another measure of the size of trade associations is the number of paid-staff members. Table 12 shows by industrial divisions the number of paid members of staff during the period, 1937-38. This table discloses the fact that, of the 1,204 associations reporting, 59 percent had 2 or less, that 78 percent had 5 or less, and that 87 percent had 10 or less, paid-staff members. Only 21½ percent of the total number of associations reported that they employed a staff of over 50. Eleven percent reported no paid staff. As measured by the relative number of associations employing a staff of over 5 members, the insurance group ranks first, followed by finance and real estate; transportation, communication, and other public utilities; personal, business, and recreational service; mining, manufacturing, and construction; retail trade; wholesale trade; and fishing.

Table 13 compares the number of paid staff members with the amount of annual income. It will be seen that there is a wide variation in the income of the associations that reported a small staff. Thus, among the 537 associations reporting two or less paid members of staff, 112 reported an income of less than \$2,500, while 174 reported an income of \$10,000 or more, and two an income exceeding \$50,000;¹⁶ and among associations employing three to five staff members, annual income ranged from less than \$2,500 to \$250,000.

The size of the staff employed depends to an important degree on the nature of the activities emphasized by an association. There are many instances of associations, which would be considered small if measured by size of staff, appropriating thousands of dollars to carry on sales promotion campaigns through private agencies. Associations are commonly represented on legal and legislative matters by private firms, and private agencies frequently are employed, among other things, to do market and industrial research. Neither size of staff nor income, of course, adequately reflect the importance of many associations. As will be seen in the following chapter, essential functions may be performed through services contributed by members, by committees, or by means of meetings of the entire membership.

EXTENT OF INCORPORATION

Approximately 54 percent of the trade associations reported that they were incorporated. Excluding fisheries, the service trades and retail trades have relatively the most incorporated associations, as is indicated by table 14, which shows that 82 percent of the associations in the former trade and 78 percent of the associations in the latter trade fall in this class. Somewhat less than half, or 48 percent, of associations in the field of mining, manufacturing, and construction reported incorporation, and only 41 percent of the associations in the insurance field, and 33 percent of those in finance and real estate, claimed this legal status.

Among the advantages usually claimed for incorporation is that it permits an association to be represented in court under its corporate name rather than through its individual members; it makes possible a definite limitation on the liability of members for debts or other obligations of the association; it enables the association to take title to property in its own name; and protects the association's name against infringement. On the other hand, incorporation usually requires the payment of fees of various types and the filing of an annual report. Moreover, advance announcement of annual meetings usually must be made, and formal legal procedures must be employed in altering articles of incorporation and in merging or dissolving. Such requirements may not permit the flexibility of action desired by an association.

As might be expected in view of the advantages, there is a pronounced tendency for the larger associations to incorporate. According to table 15, between 80 and 85 percent of associations whose number of members ranges from 1,000 to 10,000 and over are incorporated, whereas only 29 percent of those whose number of members is less than 20 have incorporated. A somewhat similar relationship

¹⁶ The four associations in this group reporting no current income enjoyed a surplus accumulated in prior years.

exists between extent of incorporation and size of income, as can be seen in table 16. It is notable, however, that less than half the largest associations, those with an income in excess of \$500,000, have incorporated. Prominent in this group are associations in the field of insurance, finance, transportation, and public utilities.

Table 16 indicates that there is a substantial difference in the practice of incorporation between associations administered by management organizations and those not so administered. Defining a management organization to be a person or firm that operates or manages more than one trade association, the percentage of incorporated to total associations administered by such organizations in income groups up to \$50,000 ranges from 24 to 36 percent, as contrasted with percentages ranging from 48 to 65 percent applying to associations of the other type. Apparently, however, there is little or no difference in this respect between associations whose income exceeds \$100,000.

FINANCIAL BASES

The income of trade associations is raised primarily through dues and assessments. During the years 1937-38, approximately 89 percent of the income was derived from this source.¹⁷ Among other sources of income figuring prominently in some associations were charges for special services, sale of publications, sale of advertising space in trade papers, and sale of labels.

Trade associations usually follow one of two systems in obtaining contributions from members. Under the "dues" system the basis of contributions is fixed for a more or less indefinite period of time, whereas under a system of "assessments" the amount of contributions is determined periodically to accord with an approved budget. Special assessments to finance deficits or special programs of activity may be levied by associations whose regular system of contributions is either one of dues or of assessments. Time did not permit the analysis of all the returns from trade associations on this point, but of 204 associations, selected at random, approximately 33 percent established a rate of dues in their constitution or bylaws. Excluding a few exceptional and unknown cases, the remaining associations, constituting 61 percent of the total number examined, gave to the governing body the power to establish the amount of contributions. Most of these associations employ a system of assessments, although it was impossible to determine the system followed by some of them. It probably is safe to say, however, that somewhat over half the trade associations regularly rely on the assessment method of raising income.¹⁸

Although a variety of bases were used by these 204 associations in apportioning the dues or assessments among the regular members, essentially the basis of apportionment was one either of equal flat amount or of amounts proportioned to some measure of size or volume of business. In approximately 20 percent of the cases the members

¹⁷ Based on an analysis of the financial statements of 1,022 national and regional trade associations. These statements covered fiscal years ending in some cases in 1938, in others, in 1937.

¹⁸ About 20 percent of the 204 associations reported that they had levied special assessments during their last completed fiscal year. The financing of general administrative deficits, trade promotion, and Government relations activity were the principal purposes of these assessments.

paid equal amounts in dollars and cents.¹⁹ Nearly 61 percent of the associations, on the other hand, proportioned the amount to be paid by the members according to their size or business volume: In 38 percent of these cases members paid in equal proportions, in 23 percent,²⁰ in different proportions. Most of the remaining associations, constituting 19 percent of the total, used a combination of these bases, or established several dues-paying classes on some basis other than size or volume of business.²¹

Among the associations for which it could be determined, the rate of dues or assessments in relation to dollar volume of production, sales, or shipments seldom exceeded 1 percent, although one 2-percent rate came to attention. The typical rate was less than one-half of 1 percent. It is obvious, however, that at these rates substantial sums would be contributed by the large members of many associations.

Table 17 affords some indication of the amount of income contributed by large members, as well as of the importance of such contributions to associations in the various income groups. According to this table, nearly 48 percent of the associations received 40 percent or more of their income, and 30 percent received 60 percent or more of their income, from their four largest contributors. The percent of income received from the four largest contributors has little relation to the level of association income, although the highest ratios, 80-100, of contributions by these members appear somewhat relatively more frequently among associations in the lower-income classes.

Table 18 indicates more clearly the extent to which trade associations depend for their income on the contributions of the large members. Of a total of 903 trade associations, 397 reported that the percent of income received from the four largest members corresponded roughly to the percent which such contributors represented of the total number of contributing members.²² In other words, in the case of 397 associations, or approximately 44 percent of the total, there tended to be little or no difference between the amounts contributed by the individual members. In 56 percent of the associations, on the other hand, the proportion of income received from the four largest contributors exceeded, by varying amounts, the proportion which these members represented of the total number of contributing members. As can be seen from the table, nearly one-fourth of the associations having more than 20 members relied on 4 of their members for 40 percent or more of their income.

It should be noted that although many trade associations depend on a few large members for considerable portions of their income, very few of them recognize such a dependence in their voting bases, judging at least by the voting provisions of the sample group of 204 associations referred to above. Whereas 11 percent of these associations proportioned the number of votes allowed the individual members according to some measure of size or to the amount of contributions, 86 percent allowed only one vote per member, regardless of size or amount of contributions. The remaining three percent were federations with voting privileges exercised through member associations.

¹⁹ Almost without exception this was the basis used with respect to associate, or non-voting members, regardless of the basis established for regular members.

²⁰ Without exception, in these cases the proportion established for the largest members was less than that established for the smallest members.

²¹ Only 20 percent of the 204 associations required the payment of an admission fee.

²² The 397 associations represent the sum of the items appearing on the diagonal running from 316 at the left to 31 at the right and top of the table.

TREND OF TRADE ASSOCIATION ORGANIZATION

The beginnings of the modern national and interstate trade association usually are traced to the Civil War. Of 1,167 associations reporting year of organization, only two associations now extant reported their origin as antedating the year 1860, but during the 1860's eight such associations were organized. Although nearly 50 associations were formed between 1870 and 1889, the movement cannot be said to have become industrially widespread until the 1890's. The period from 1890 to 1915 witnessed a rapid growth of trade associations, which was culminated by the well-known development of the movement during the World War. It is notable, however, that 56 percent of the associations that are now active were organized after the war.

The post-war development of the trade association movement is one of marked fluctuation. Immediately following the war, from 1920 to 1924, there was a substantial falling off in the rate of formation. But during the years from 1925 through 1929 a larger number of associations were organized than during any previous 5-year period in the history of the movement, not excepting the war period. During the depression years of 1930, 1931, and 1932 there was an abrupt decline of organization, which, in turn, was brought to a halt by the N. R. A. The significance to the trade association movement of the N. R. A. may be judged by the fact that nearly 23 percent of the associations now extant were organized during the 3-year period, 1933 to 1935. That the N. R. A. did not, however, exhaust new opportunities for trade association organization is indicated by the formation of some 50 associations from 1936 to June, 1938.

According to table 19, there have been relatively more trade associations organized since 1920 in mining, manufacturing, and construction than in any other industrial field, 61.2 percent of the total number of such groups having been formed during that period. Ranking next are the fishery associations and associations in the service trades, 57.2 and 55.0 percent, respectively, of their associations being accounted for in these years. The corresponding percentage for transportation, communication, and other public utilities is 48.9; finance and real estate, 45.5; wholesale trade, 45.5; insurance, 41.7; and retail trade, 41.3. The relatively larger proportion of new organizations in manufacturing and the service trades than in, for example, the wholesale and retail field probably is attributable to the fact that these industries are continually expanding into new product and service areas and, particularly in the case of manufacturing, to the fact that there are many more distinct industrial groups that are subject to organization and to subdivision into more homogeneous groups.

Among the producing industries, a considerable variation is found in the relative number of associations organized since 1920. Thus, as can be seen in table 20, 90 percent of the associations in the electrical manufacturing group were organized since 1920, whereas only 33 percent of the rubber and leather associations date their origin after that year. Other groups ranking high in terms of the relative number of newly formed trade associations are paper products, metal products, apparel and related products, furniture and finished lumber products, and chemical and allied products. Industry groups ranking lowest in this respect include food and kindred products, construction, coal mining, and transportation equipment (except automobiles).

The oldest associations tend to be the largest associations, when size is measured in terms of income. As is shown by table 21, 82 percent of the associations reporting an annual income of \$500,000 and over were organized prior to 1920, whereas only 39 percent of the associations reporting an income of between \$1,000 and \$2,500 were formed prior to that year. Although this tendency is not particularly evident among associations whose income is less than \$10,000, it is well maintained by the associations having a larger income.

One of the outstanding developments in the trade association movement in recent years has been the growth of trade association administration by so-called management organizations.²³ Whereas 56 percent of all trade associations now extant were organized since 1920, 74 percent of the associations reporting that they are now administered by management organizations were formed since that year. The growth of such activity since 1930, and particularly since 1932, is notable. Over one-half, or 53 percent, of the associations now directed by management organizations were organized since 1930, and 43 percent were organized since 1932. Of all the now-active associations organized during the N. R. A. period, 40 percent are operated by management groups, and of all associations formed from 1936 to June 1938, 53 percent are operated by management groups.

Although it is believed that the data shown above indicate the underlying trends in the chronological development of the trade association movement, it should be kept in mind that they do not reflect the many associations that have disbanded or become inactive. Probably the highest mortality in the history of the movement has occurred among trade associations formed during the period of the N. R. A. Nearly 800 associations were formed during the years 1933-35, of which only about 275 are now active. Either because it was believed that organization was required by, or because of the exceptional opportunities for organization offered under, the N. R. A., most branches of industry were represented by a trade association sometime during this period. A large number of these groups did not succeed in obtaining a code of their own, and many failed to outlive the N. R. A., or, indeed, even to become going organizations.

In an effort to learn something of the characteristics of these associations and particularly of the reasons for disbandment or inactivity, questionnaires were sent to their former officials, as well as to those of associations organized prior to the N. R. A. that have disbanded or become inactive since 1932. Of the total of approximately 750,²⁴ returns were received from 278 associations.

Two hundred and thirty-one of the two hundred and seventy-eight associations were in the field of manufacturing. Appearing most frequently were associations in the machinery and iron and steel products industries. The stone, clay, and glass, chemicals, apparel, and furniture and finished lumber products industries also are frequently represented among these associations, as may be seen in table 22. Outside the field of manufacturing, the wholesale trades account for the largest number of associations appearing in this sample.

²³ Defined, for this purpose, it means a person or firm that manages or operates more than one trade association. These organizations administer the affairs of at least one-fifth of all national and regional trade associations. Associations so administered typically are very small in terms both of number of members and income. (See below, pp. 38-40.)

²⁴ Not including associations that were disbanded because of merger with other associations or reorganizations under a new name.

The reasons given by these associations for disbandment or inactivity, although it should be emphasized that they usually represent the opinion of only one of the former officials, merit analysis in some detail, not only for the light they throw on the N. R. A.'s significance to the trade association movement, but also for the suggestions they give concerning circumstances that militate against effective trade-association organization—a subject that has received little attention in the published literature dealing with the trade association movement. A tabulation of the reasons given for disbandment or inactivity is presented in table 24.

The largest single group of associations, 69 in number, stated that they were formed for N. R. A. purposes, to sponsor a code or to protect the interests of their members from other code-sponsoring groups. They either gave no reason for inactivity, stated that there was no reason for continuing their organization after the N. R. A., or stated that the association was disbanded because of lack of interest or support. Some of these groups indicated that they were formed only because they believed they were required to submit a code and that with the termination of the N. R. A. there was no reason for further action.

Eight associations wrote that the N. R. A. experience discouraged further cooperative activity. Thus, one association, which was organized in 1931 and which continued actively until 1935, stated that:

Numerous violations of the code occurred and although complaints were filed within the N. R. A., it seemed practically impossible to secure redress. Therefore, dissatisfaction arose and the thought became general that if one or more manufacturers could with impunity violate the Code, there was no reason why the other manufacturers should stand by the Code, pay dues, increase wages, and otherwise hold an umbrella over the recalcitrants. This feeling was quite general at the time. Several actual test cases were brought to a head in this district in connection with which the courts ruled against the Administration. A little later the N. R. A. was declared unconstitutional, but by this time the various manufacturers of the industry had become so dissatisfied with their experience in trade association activities that they declined to continue membership in the association or contribute anything towards its upkeep. This resulted, as you can well imagine, in a quiet death of the association.

Because it attempted to bring to bear the sanction of law in enforcing standards of conduct, the N. R. A. undoubtedly tended to sharpen and bring to the surface the underlying conflicts of interest between members of an industry; these conflicts became particularly acute when certain factions refused to abide by N. R. A. mandates and were successful in their defiance, exposing the law-observing members to competitive attack and, what seemed as important in the minds of some, requiring them to pay more than their share of heavy code expense.

Of the 278 associations, many referred to some characteristic of their industry as the reason, or as among the reasons, for inactivity or disbandment. Two mentioned the large number of members in the industry as an obstacle to effective organization. Two others referred to the large difference in size of members as a factor preventing cooperative effort after the N. R. A. A somewhat larger number of associations pointed out that the members of their industries were so widely scattered that good contacts could not be maintained. Diversity in types of product covered was mentioned by 14 associations, of which the Liquid Fuel Appliance Council is representative. According to the former commissioner of this group:

My own view is that while the members of any industry, if they are so minded, can get a lot of benefit from proper cooperative effort, this particular organization was made up of so many different product divisions, with some manufacturers making only one product, with others making several, and with a few making all lines, that for such work as sales promotion, trade statistics, cost accounting, standardization, etc., it would have meant the close concentration of each product group, and there were not enough in each group to justify having a separate organization or holding separate meetings.

It should be recalled, in this connection, that the N. R. A. encouraged the grouping of different, though related, types of product under single codes, in order to reduce the work of negotiating wage and hour provisions and to simplify the compliance problems of firms manufacturing various products in the same plant.

The statement quoted above suggests another important industry characteristic that militates against association, namely, that where the commodity in question is a side line, the firms making or selling it are not likely to consider it worth while to devote time to or support an association with such a limited product scope. Examples of associations that stressed this as a reason for disbandment are the Mechanical Egg Beater Institute and the Basket Liner and Packing Association. According to a former officer of the latter group:

The basket liner and packing industry is not working together as an association and did so for just a short period. The members who formed this association, which is composed very largely of paper converting plants, in addition to manufacturing paper for the fruit industry, mostly manufacture other paper products and belong to various other associations. The paper used in the fruit packing industry is a seasonal business, whereas the other lines continue on a more even scale the entire year.

It is largely for these reasons that the basket liner and packing association was discontinued, and for the same reasons that it did not appear advisable to revive it.

In the case of another association the reason for disbandment was the fact that the product covered was "strictly made to order," which "tended to narrow the vision of those engaged in it and to create a condition of distrust which it is practically impossible to break down." Other industry characteristics mentioned, usually in connection with other factors, as contributing to association inactivity were the small size of the members and the small normal volume of industry business. The point stressed in this connection was that the members could not afford to support a trade association.²⁵

As distinguished from the nature of the industry, the nature of the market was cited by a number of associations as being partly or entirely responsible for the absence of activity. Twenty-three associations attributed their lack of activity to the general business depression. They either stated, as, for example, did the National Sandstone Association, that the small volume of business in the judgment of the members made it appear futile to spend time or money for any purpose; or presented the situation as being one in which the depression sharpened competition and with it the antagonisms in the industry. The former secretary of an association in the machinery industry wrote:

There were several reasons that contributed to the failure of the association. One of the most important was that as the depression proceeded, the volume of business shrank to such an extent that several of the companies felt it was

²⁵ Thus, in the case of the Rocky Mountain Retail Furniture Association the "size of communities and relatively low volume of the average furniture store did not warrant employment of a full-time executive to provide year-round service to members."

necessary to take business on any terms in order to cover their overhead. The idea of making any profit whatever was entirely secondary. This sharp competition for business led to an increase in the use of lawsuits to upset awards and other matters of trade practices which greatly accentuated the unusually violent antagonism which had existed for many years among the members of the industry.

The depressed nature of the market referred to by some associations resulted primarily from the competition of substitute products or from foreign competition. Included in this group are two associations, one organized in 1888, the other in 1893, which served the blacksmiths' trade. Displacement from the market had a more recent origin in the case of other associations, such as the Association of Collar Manufacturers, the National Association of Cut Glass Manufacturers, and the Vegetable Ivory Button Manufacturers Association. An illustration of a type of difficulty faced by associations whose members must meet foreign competition is the situation in an industry producing a kind of wire netting, as described by a former officer:

As one outstanding illustration, the Institute, a few years back, put a lot of study and effort into the development of a standardization of wire gages to be used in different sizes and types of netting. The program was adopted with enthusiasm, but within a very short time, importations of foreign netting which did not measure up to the newly adopted American standards, ate into the market so heavily that some of our domestic manufacturers lost courage and came out with a light gage netting to meet the foreign competition. That immediately destroyed the advantage previously gained through the promotion of heavier gage material and contributed to a feeling that cooperative effort was a waste of time.

Two associations reported as a reason for disbandment the fact that with the development of a widespread use of the products covered there was little reason for continuing a group activity which had been designed primarily to promote such a development.²⁶ One association, in the industrial chemical field, stated that technical developments in the industry were so rapid and dynamic that it was impossible to maintain a representative membership.

Another group of associations explained their inactivity on the ground that there were no important functions to be carried on and, in doing so, gave some indication of the reason for their statement. The reason given most frequently was simply that following the N. R. A. an association seemed unnecessary, or superfluous, in view of the small number of enterprises in the industry. Examples of associations replying in this manner were the Coloring, Cheese, and Rennet Industry, the Cosmetic Container Manufacturers Association, and the Shoe Form Manufacturers Association. It is probable had the question specifically been asked whether a small number of industry members was a reason, or one of the reasons, for discontinuance after the N. R. A. that a larger number of associations would have been included in this category. Table 23 shows that the inactive or disbanded associations from which replies were received were very small, when measured in terms of number of members. Almost a third of them had less than 10 members, over 60 percent had fewer than 20 members, and 80 percent had less than 50 members. While it should be recognized that the number of association members does not indicate precisely the number of members in the industry, inas-

²⁶ Thus, the Northwest Radio, Refrigeration, and Appliance Association reported that, "Radio ceased to need promotional work as it became so universally used and every family now has one."

much as the associations were asked to indicate the number of members during their year of greatest activity and in view of the fact that associations formed for N. R. A. purposes had a high nominal coverage, it is believed that these figures are reasonably indicative of industry size.

Lack of significant association functions was attributed by other associations to the fact that important members of the industry had merged, "thereby," in the words of one of them, "eliminating to a large extent the advantages otherwise to be secured from a Trade Association." The former executive chairman of one group, originally organized in 1918 and disbanded in 1937, wrote that three plants were not operating or were entirely out of business and that:

Others have merged so that there are practically only two companies now in existence. These manufacture about 98 percent of * * * [the product] made in United States. I believe that a sort of international cartel of agreement may have been made with two leading Canadian manufacturers and two British manufacturers. * * * [the association] probably never will again become active, now that small units have disappeared and competition eliminated entirely or almost so.

Several other associations stated that the elimination from the industry of some firms, usually through their inability to survive the depression, had minimized the need for association.

Seven associations, nearly all of which were organized for N. R. A. purposes, wrote that because the problems of the members were primarily local in scope, there was little reason for continuing a national, or regional, organization in the industry.

Some groups explained that the purpose, other than N. R. A., for which the association was organized had been achieved. Among the purposes mentioned were the elimination of foreign competition through obtaining tariff restrictions, trade promotion, standardization, and the elimination of destructive competition, or unfair practices. Other associations specifically referred to problems of this nature as not of sufficient importance to warrant the devotion of time and money to association effort. A variety of other reasons was given to explain the absence of significant association functions. One association indicated that the provisions of the N. R. A. code were being voluntarily adhered to; another that members of the industry had learned to cooperate as a result of the N. R. A. experience. A third pointed out that members found opportunity at golf clubs and similar functions to discuss industry problems. Two associations reported that their industries now enjoyed substantial stability, one as a result of the strengthening of labor union control, the other as a result of rate determination by the Interstate Commerce Commission. In two cases the business covered by the group had vanished, in one because of integration with other manufacturing processes, and in the other because of the depletion of resources formerly exploited.

The story of inactivity among a large number of associations is one of inability to carry on a program. Some replies indicated the objectives that the association was unable to achieve; but more often the objectives were not indicated. Twenty-eight associations merely stated that conflicts, lack of cooperation, or lack of confidence between the members made it impossible to continue the association. Thus, in 1 association "there were no accomplishments. * * *

The manufacturers could not work together without rancor and hard feelings and they soon disbanded." The difficulty in several other cases apparently arose from the failure of large or important members to cooperate in supporting an association program.²⁷ Several replies, though failing to indicate the objectives of organization, referred to the basis of the conflicts that resulted in the abandonment of the association program. In 10 cases it was attributed to a division of the industry along union-nonunion lines. Others mentioned geographic differences in wages. Three associations mentioned differences in marketing or distribution methods as constituting the essential reason for lack of cooperation. One mentioned an "intense personal bitterness" caused by the fact that 1 of the members "was accused by 3 others of systematically raiding their sales forces and hiring away from them salesmen who owed them balances on advances." Another reply referred to quality deterioration by concerns "operating in most instances with limited capital and others as a department of another larger business which absorbs most of the overhead." Finally, 2 associations stated that patent litigation among the members was responsible for their inability to carry on a program.

In a substantial number of returns the objectives of association programs not achieved were mentioned. By far the largest number of these referred to the inability of the association to achieve price stabilization, usually because of "chiseling" or price wars. Typical of the statements is the following:

The association became inactive following the termination of the N. R. A., as the membership decided that it would be useless to try and carry on under a voluntary code. Manufacturers and installers have tried to establish fair business rules that would benefit both the consumer and the industry but have found, by years of experience, that the chiseling 10 percent who operate in every business will not abide by any rules unless enforced by State or National laws.

Small, more often than large, enterprises were blamed for price cutting. One association mentioned price misrepresentation and pressure by large buyers as the disrupting influence; two mentioned the fact that Government agencies were the principal buyers; and one complained of the lack of cooperation on the part of distributors in observing suggested resale prices. Other objectives referred to as being impossible of accomplishment were business "ethics," or "fair practices," control of wage rates and working hours, legislative programs, prevention of design piracy, product standardization, and cooperative buying.

In 11 cases it was stated or suggested that prosecution, or fear of prosecution, was the principal reason for the abandonment of the association. Thus, in one reply it was stated that "Responsible members felt that adherence to a voluntary code [following the N. R. A.]

²⁷ As an illustration, the former secretary-treasurer of an association that sponsored an N. R. A. code wrote that the association:

was organized as a direct result of the inception of N. R. A. Previous attempts to organize an Association had failed, probably because one manufacturer was dominant in the industry, and this manufacturer, up until the inception of N. R. A., did not see fit to lend his support to an effort to form an Association. The Association adopted an N. R. A. Code, and the customary N. R. A. activities followed upon this. In addition, fairly important engineering standards were adopted and have borne some fruit. The industry, once entirely chaotic as regards engineering standards, is now fairly uniform in this respect. * * * The Association became inactive because, as I see it, of the reasons that originally handicapped the organization of the Association, namely, the very limited interest displayed by a member of the industry who formerly did over one-half of the business of the industry and still does an amount approaching that percentage. * * * Apparently the industry dominating member who lacked interest in proceedings of the Association feels that he has more to lose than to gain by the industry exchanging information within an Association."

might first subject them to accusation of monopolistic practices, and, secondly, would handicap them in competing with the so-called Chiselers." In another case the cause of inactivity was primarily:

The result of a complaint issued by the Federal Trade Commission * * * the association members were greatly distressed, annoyed and subjected to much inconvenience and expense. Some of them became distrustful of all association activities and withdrew from membership and participation in all collective activities; others, it is suspected, have withdrawn to avoid sharing in the cost of the defense which has become extremely burdensome when apportioned among the relatively few remaining members.

Finally, there were 27 associations that reported as a reason for inactivity or disbandment the fact that there was an association of broader product or geographical scope in the field. Most of these associations, illustrated by various groups in the machinery field, were organized for N. R. A. purposes. Their former members evidently felt that such needs for association activity as they had, as, for example, information concerning legislative developments, were adequately provided for by the over-all association. Most of these associations were composed of a small number of members.

Summarizing, it appears that although the N. R. A. was responsible for the organization of a large number of trade associations that have continued to thrive, it led to the formation of many associations that either lacked the foundations necessary for effective, voluntary action or had no useful function to perform under ordinary circumstances. The data suggest that those trade associations had difficulty surviving that attempted to cover a wide variety of products or an industry which geographically was widely dispersed. On the other hand, associations that limited their coverage to products which were a side line in, or incidental to, the business of the members failed to command continued interest and support. Industries that faced a depressed market in many cases evidently had a desperate need for cooperation, but it was under such circumstances that association was most difficult; the conflicts between members of an industry are likely to be most pronounced when they are struggling for a limited market, and during such a time many of them feel that they can ill afford to share the burden of supporting an association. Personal antagonisms, lack of interest on the part of large members, the absence of experience in or a tradition of cooperative effort, basic differences among members in methods of distribution or in the labor market, militated against the continued organization of many industries. Industries with a narrow range of problems seemed to have less need for a continuing, active organization; and where such problems mainly concerned the state of competition, some associations feared an encounter with antitrust agencies. Finally, the problems of many industries, particularly those with very few members, evidently were not of a nature such as require association, at least of a formal nature.

One value of the N. R. A. experience to those industries that subsequently discontinued associational activity should not be overlooked. Many of these industries have maintained the framework of their associations in order to meet promptly any emergencies requiring industry action, and, particularly, as was emphasized in the replies, to meet demands that may be imposed by the Government for action on an industry-wide basis.

CHAPTER II

SCOPE OF ACTIVITY

Trade association activity is so manifold that a high degree of particularization in a quantitative survey of the subject is not feasible. A certain amount of classification is unavoidable as a preliminary to the undertaking of such a survey. This, in turn, raises questions of selection and definition and makes it necessary to consider the frequency with which possible items may occur. In preparing the list of activities used in the present survey, the counsel of the American Trade Association Executives was sought, which through committees made available the experience of its members concerning the prevalence of various trade association activities, as well as the currency of terms used to characterize the activities. Since it also was desirable to recognize in a manner subject to quantitative treatment the degree of emphasis placed by trade associations on their various activities, the associations were asked to indicate whether their reported activities were of "major" or "minor" importance.

TYPES OF ACTIVITY

Table 25 shows the number of associations that reported as of major and minor importance the some 50 activities listed in the schedule.¹ It does not include activities in addition to those listed in the schedule that the reporting associations separately volunteered in spaces provided for "other" activities. Associations in the field of insurance are omitted in this tabulation, as well as in all subsequent tabulations dealing with trade association activity. The data reflect the situation approximately as of the time the schedules were returned, which in some cases was the year 1938, and in other cases, 1939.

The data contained in table 25 have certain limitations that should be recognized in any conclusions that may be drawn from them. In the first place, although most of the items have a fairly definite and specific meaning which could not have been easily misunderstood, some items, as will be pointed out below, were subject to rather substantial differences of interpretation. In the second place, as is perhaps inevitable in any detailed list, some items overlap others. Thus, "Operations of research laboratory" describes an activity that may be designed to promote "Standardization and simplification" or "New uses for industry products." The proper procedure, and presumably the natural tendency, for an association operating a research laboratory for the purposes of promoting standardization and new uses for industry products would have been to check all three items, but this may not always have been done.

¹ With certain exceptions, which are discussed later.

Probably the chief limitation of the data arises from the fact that some associations tended to magnify the scope of their present activity. It is known that certain associations referred to the N. R. A. period, whereas others confused plans and hopes for the future with the actualities of the present. Corrections of the returns were made whenever such reporting was revealed, but it was possible in this manner to review only a small sample of the returns. On the basis of that review, it is believed that the overstatement was limited for the most part to certain fields of activity and was largely confined to the reporting of "minor" activities. On the other hand, the activities reported in some cases perhaps incompletely reflect what trade associations are doing. Many associations reported activities other than those listed in the schedule and included in table 25. These are referred to below. In other instances, it was evident from information contained elsewhere in the return that certain of the listed activities had been overlooked. Appropriate corrections of the returns were made where such information appeared. But it is not possible to vouch for the completeness of the returns.

The following paragraphs briefly indicate the character of the reporting on the various items, the areas of overlap, the generally accepted meaning of terms that may not otherwise be clear, and the activities reported in addition to those listed in the schedule and presented in table 25.

Government relations.—Nearly every association of any importance is active in this field. It is believed that the data show with substantial accuracy the number of associations engaged in this activity and that, except for possible differences in the interpretation placed on "Scientific or technical agencies" and "Other executive or administrative agencies," the items under this heading enjoyed a uniform interpretation. Any contact with a Government agency, of course, is likely to be accompanied by the giving of information and assistance to the agency, on the one hand, and the reporting of the results or the nature of the contact to the members, on the other hand. It can be seen, too, that in a large number of instances the same activity probably was reported under both "Government relations" and some other heading; for there are several activities, such as public relational work, trade promotion, standardization and simplification, combating unfair competition, and employer-employee relations, that frequently require contacts with Government agencies. The only activity in the field of Government relations reported in addition to those listed in the schedule may be characterized as "opposing governmental competition with private business." Eleven associations separately reported this activity; others probably reported it under an item appearing in the schedule.

Employer-employee relations.—This is another field in which many trade associations are from time to time active, as might be expected in view of the fact that as defined it embraces any type of assistance, survey, and advice with respect to wages, hours, working conditions, collective bargaining, welfare, and safety. It also includes "employee training," which in many instances means the training of salesmen, not of production workers; as such this activity is closely related to trade promotion. Under the item, "Placement service," was reported the occasional and quite informal handling of inquiries, as well as the systematic record keeping and clearances that one ordinarily associates with a placement service.

Public relations.—There undoubtedly were differences in the construction placed on this term by the reporting trade associations. Broadly speaking, the term applies to all efforts to protect or promote public goodwill toward the industry. As such, it usually is considered to embrace that type of trade promotional activity that is designed to inform the consumer concerning the values and uses of the industry's products or services and, where there are safety or health hazards involved, to promote the use of proper safeguards in connection with such uses. It also includes the overcoming of prejudices and the influencing of attitudes toward an industry's products or services. Another

type of activity is designed to promote legislative aids for or ward off legislative attacks against the industry; in seeking these ends, associations may operate through the molding of public opinion, or more directly through contacting legislative bodies. Affording the general public with statistics and information about the industry, its markets, and business trends, also may be classified in this category of trade association activity, as may efforts by natural resource industries through education and legislation to promote the conservation of their raw materials. Under this heading have been included 23 associations which reported that they were engaged in promoting the conservation of natural resources.

Trade promotion.—There is reason to believe that this was one of the fields in which there was a tendency to overstate the extent of present activity, particularly with respect to "Market research," the development of "New uses for industry products" and "New markets for industry products." There was also apparent some tendency to confuse the items, "Market research" and "New markets for industry products," and to report the association as engaged in the latter activity when its activity did not extend beyond the stage of research. It is also believed that "Market research" was reported in some instances when the association's activity was limited to the dissemination without analysis of regularly collected trade and price statistics. Several trade promotional activities were reported by one or more associations in addition to those listed in the questionnaire; these may be described as "advertising service to members, distributors, or dealers"; "information or advice on advertising media"; "promotion of industry day, week, month, etc."; "direct selling efforts through field representatives"; "handling of buyers' inquiries for industry products"; the "preparation of directories of customers"; and "sales or trade promotion, or trade relations—type not specified."

Standardization and simplification.—"Standardization" refers to the establishment of uniform product sizes or dimensions and, in the case of quality standards, of criteria of properties and performance as the basis for grading, certification, and labeling. "Simplification" refers to the reduction of the number or variety of product sizes, dimensions, types, models, patterns, and lines. Under the procedure of most standards agencies, an association may initiate or participate in a program of standardization or simplification as the representative of producers, suppliers, or consumers of the commodity in question. There is, therefore, no field of industrial activity in which trade associations may not properly report activity in this field. Nevertheless, it is believed that the frequency with which these items were reported overstates somewhat the extent of activity in this field at the present time, particularly because the term "standardization," is sometimes used to characterize the development of standard contract and other business forms and the encouragement of uniform trade practices. Ordinarily considered to be a part of the standards work of trade associations are several activities that were separately reported by a few associations: "Product certification or guarantee"; "descriptive labeling"; and "inspection or product testing to determine conformance with industrial standards."

Technical research and advisory service.—This describes a field of trade association activity that deals primarily with production and commodity research and advisory service, embracing, as well, similar technical activities in the service, as well as producing, fields of industry. It includes the questionnaire items, "Operation of research laboratory," "Other forms of technical research," and "Technical advisory services." There is reason to believe, particularly with respect to the two research items, that there was some tendency to magnify the extent of activity in this field. There is also a substantial overlapping between this field of activity and "standardization," on the one hand, and the development of "new uses for industry products", on the other hand. It is probable, too, that in the distribution, finance, transportation, and personal and business service fields there was a tendency to confuse advisory activities relating to the selling or promoting of the service dealt in with those relating to the technical aspects of the production of the service. Among the items falling in this classification that were separately reported by a few associations were "byproduct or waste-utilization research"; the "development of new products and product improvement"; and the "coordinating of members' technical research."

Trade statistics.—This item embraces the regular collection and dissemination by an association of statistics relating to business activity, including statistics on one or more of such subjects as inventories, production, sales,

shipments, and orders. This item did not appear in the original questionnaire. The related item in the questionnaire read, "Statistics: Compilation of new material." Because it was evident from the returns that in reporting this item many associations did not confine themselves to original statistical compilations, a recanvass was made, in which the associations were asked to submit copies of their statistical forms and releases. As a result of this review, it is believed that the figure, given in table 25, of 548 associations engaged in the collection of trade statistics, is reasonably accurate. Statistics on wages and hours were classified under "Employer-employee" relations rather than "Trade statistics," except in those few cases in which it was clear that man-hour data were compiled primarily as a measure of production activity.

Price and bid information.—The items under this heading include bid filing, open price filing, and reports on prices received in closed transactions. The original questionnaire included only "Bid filing" and "Open-price filing." Statistics on prices received in closed transactions were reported under "Statistics: Compilation of new material," and have been consolidated with bid filing and open price filing under one heading on the basis of the recanvass referred to above.

Accounting, cost statistics and studies.—Under this heading associations were asked to indicate whether they had established "Uniform accounting" and whether they were engaged in "Industry cost studies." "Uniform accounting" refers to uniform systems of general accounts, as well as to uniform cost accounting principles or systems; and "Industry cost studies" includes the regular collection and dissemination of cost statistics, as well as occasional cost studies. It was found from a sample check that under these items some associations referred to activity that occurred during the N. R. A. period only. The number of associations that have reported themselves as active in this field is believed, therefore, to overstate somewhat the extent of present activity.

Statistical republications and special studies.—This item represents a consolidation of the items, "Statistics: Republication of other material" and "Statistics: General economic conditions service," which appeared in the original questionnaire. The distinction drawn by trade associations between these two items was not sufficiently clear to justify listing them separately. Also included under this heading were special statistical studies that could not properly be classified under the headings of cost studies, price statistics, or market research. Their subject matter usually was the financial or economic condition of the industry, but, inasmuch as they represented only occasional or one-time studies, they have also been distinguished from trade statistics.

Traffic and transportation.—Under this heading have been grouped two items that were in the original questionnaire, namely, "Packaging and shipping," reported by 202 associations, and "Freight-rate books, etc.," reported by 150 associations. That these items were neither uniformly interpreted nor sufficiently comprehensive is evident from the fact that 116 associations made separate entries to indicate that they assisted members with respect to delivery, traffic, or routing problems, and by the fact that other associations separately reported the handling of freight claims and the auditing of transportation bills for their members.

Credit information.—This field of activity ranges from the systematic, periodic collection and dissemination of ledger experience to the occasional service rendered to individual members in investigating and reporting on particular accounts.

Collection service.—Some associations provide a regular service of collecting claims and accounts, while others render only infrequent services to members in this connection. Like "Credit information" this item is believed to have been subject to little difference of interpretation.

Trade practices.—This field of activity embraces all efforts of trade associations to guide or influence along lines considered proper the conduct of members toward one another and toward present or prospective customers. This may mean, on the one extreme, a definite program to control the competitive behavior of the members, while, on the other, merely an effort to define customary business practice or to standardize the meaning of business terms or business forms. It also includes the efforts of trade associations through legislation, court action, or group pressure to bring within bounds the conduct of members of supplying, customer, and competing industries. Trade association activity in other fields, such as standardization and simplification, price and bid information, trade statistics, and Government relations, may be directed at the

control of trade practices. Included in the schedule were the following items: "Classification of customers," "Classification of sales areas," "Trade practice conferences," "Standard business forms and contracts," "Combating unfair competition," and "Cooperative selling." Thus, four specific devices were singled out for reporting along with two more or less all-inclusive items, namely, "Trade practice conferences" and "Combating unfair competition." The result was a substantial duplication of reporting as between the items included under this heading. It is doubtful, too, whether, as intended, the items, "Classification of customers," "Classification of sales areas," and "Cooperative selling" were always understood by the reporting associations to mean concerted action directed at the control of selling policies.

Commercial arbitration.—This item usually refers to a machinery for settling business disputes of the type that ordinarily would be taken to the courts of law for decision. Such disputes may arise between members of an industry but are most likely to be of the type that develop between the members, on the one hand, and their customers or suppliers, on the other hand. The settlement of disputes between members that arise from a violation of an association's trade practice rules is a part of the trade-practice work of an association, and it may be assumed that as between the items "Commercial arbitration" and "Trade practices" there is some duplication in reporting.

Registration of patents, trade-marks, designs, and styles.—This is primarily an informational service, designed to notify members of the existence of patents, trade-marks, and styles on the products of the industry. Activity in this field in large part deals with trade-marks, there being relatively few instances of the registration of patents, designs, or styles. A few cases of copyright registrations were reported, which have been included under this heading. The work of some associations in this field does not attain the stature of a regular or systematic service, being confined to the occasional servicing of members through the giving of information or assistance on particular problems. The registration of designs and styles sometimes is a part of a mechanism for curbing design, or style "piracy."

Miscellaneous services.—Under this heading have been grouped the following items that were in the questionnaire: "Insurance assistance," "Legal service," "Library service," "Used machinery exchange," "Cooperative buying," and "Patent cross-licensing or pooling." Because there was an apparent tendency to misinterpret them, associations originally reporting the last two items were recontacted. It was not possible, however, on the basis of the information submitted to determine precisely the number of trade associations administering patent cross-licensing or pooling arrangements, except that it seems safe to say that they are fewer than 10 in number. Combined with the item, "Cooperative buying," it will be noticed in table 25 are other forms of "assistance in buying." There are relatively few national and regional trade associations that are engaged in the actual buying of goods, materials, supplies, or equipment in behalf of their members. In addition to the foregoing, several other services have been classified under this heading. One hundred and four associations indicated that they performed an informational or educational service too broad and general in scope to be classed under any of the items appearing in the schedule; 16 mentioned assistance rendered members on taxation and tariff matters; 27 reported that they prepared directories of industry members or catalogs of industry products; and 28 associations reported that they had adopted measures to protect their members against fraud or criminal acts.

Conventions.—This item ordinarily is understood to mean regular, annual meetings embracing an association's entire membership. In many associations it represents a major activity and in some, the principal activity. It is believed that there were some associations which through neglect or misinterpretation failed to report this activity.

For the purpose of comparing trade association activity in the various fields of endeavor, it is believed that such limitations as the data may have to a substantial degree may be overcome by confining the analysis to those activities on which the associations reported a major emphasis. The analysis, moreover, is facilitated and the duplication in reporting minimized by dealing only with the principal groups of activity. In table 26 the various activities reported have been classified into the groups previously described. No association appears more than once opposite any of the activities listed.

According to this table, activity in the field of Government relations easily outranks other trade association activities. Over 80 percent of the associations reported some activity in this field, and it is the only activity which over 50 percent of the associations reported as of major importance. Trade promotion is next in rank; approximately 70 percent of the associations reported this activity, and about 50 percent indicated that it was a major activity. The only other activities that were reported as of major importance by a third or more of the associations are standardization and simplification, conventions, trade practices, and trade statistics.

In the following list the various activities are ranked according to the frequency with which they were reported as of major importance and according to the total frequency with which they appeared, regardless of major or minor importance:

	Rank by frequency with which reported as of major importance	Rank by total frequency with which reported		Rank by frequency with which reported as of major importance	Rank by total frequency with which reported
Government relations.....	1	1	Public relations.....	11	9
Trade promotion.....	2	2	Accounting, cost statistics and studies.....	12	10
Standardization and simplification.....	3	6	Credit information service.....	13	14
Conventions.....	4	8	Traffic and transportation.....	14	13
Trade practices.....	5	3	Price and bid information.....	15	16
Trade statistics.....	6	11	Commercial arbitration.....	16	15
Employer-employee relations.....	7	4	Collection service.....	17	17
Miscellaneous services.....	8	4	Registration of patents, trade-marks, designs, and styles.....	18	18
Statistical republications and special studies.....	9	7			
Technical research and advisory services.....	10	12			

It will be noted that there is a considerable difference in the position of several of the activities under the two rankings. The greatest difference occurs in the case of trade statistics, which in terms of the total frequency with which reported ranks eleventh and in terms of major importance, sixth. Standardization and simplification and conventions also rank substantially higher in terms of major-importance frequency than of total frequency. Several items, on the other hand, rank relatively lower when measured in terms of major emphasis, notably, trade practices, employer-employee relations, public relations, statistical republications and special studies, and miscellaneous services.²

ACTIVITIES AND INCOME GROUPS

In general it can be said that the larger the income of the association, the greater the number of activities emphasized. This is indicated by table 27, which shows by income-size groups the proportion

² Another comparison of interest is that between activities ranked according to the frequency with which reported as of major importance and activities ranked according to budget importance. The associations were asked to indicate in order of importance the three activities which bulked largest in their budget, but only about one-half complied with this request, and of these many indicated that their ranking was forced and somewhat arbitrary. On the basis of the returns, therefore, such a comparison is highly inconclusive. Actually it shows that under the two rankings (budget importance being ranked according to the activity first in importance only) many of the activities had the same, or approximately the same, position. As might be expected, however, trade promotion ranked first in budget importance; other activities that ranked higher (in no case over three places) in terms of budget importance than of "major" importance were credit information, trade statistics, employer-employee relations, public relations, and technical research and advisory services.

of associations reporting as of major importance the activities specified. A comparison of the two extremes—those associations with an income of less than \$2,500 with those whose income was \$100,000 or more—shows that practically without exception the proportion of associations engaged in the specified activities is greater among the large than among the small associations. A study of the table, however, indicates that the directness of the relationship between performance and income varies considerably among the various activities. In terms of the consistency with which the relationship is maintained and of the extent of difference between the extremes, it is among the broad-gaged activities—Government relations, employer-employee relations, public relations, trade promotion, and technical research and advisory services—that this relationship appears to be most direct. The relationship is least direct in the case of such activities as price and bid information, credit information, collection service, commercial arbitration, conventions, and trade practices.

Another comparison of trade association income and activity is afforded by the following list, which, based on table 27, shows for each income group the five activities most frequently reported as of major importance:

Less than \$1,000:	\$20,000 to \$49,999:
Government relations.	Government relations.
Trade promotion.	Trade promotion.
Conventions.	Standardization and simplification.
Trade practices.	Trade statistics. ³
Miscellaneous services.	Statistical publications and special studies. ³
\$1,000 to \$2,499:	\$50,000 to \$99,999:
Conventions.	Trade promotion.
Trade promotion.	Government relations.
Government relations.	Trade statistics.
Trade practices.	Employer-employee relations.
Miscellaneous services.	Conventions.
\$2,500 to \$4,999:	\$100,000 to \$249,999:
Government relations.	Government relations.
Trade promotion.	Trade promotion.
Standardization and simplification.	Public relations.
Conventions.	Technical research and advisory services.
Trade statistics.	Employer-employee relations. ³
\$5,000 to \$9,999:	Trade statistics. ³
Government relations.	\$250,000 and over:
Trade promotion.	Trade promotion.
Standardization and simplification.	Government relations.
Trade statistics.	Public relations.
Trade practices. ³	Standardization and simplification.
Conventions. ³	Employer-employee relations. ³
\$10,000 to \$19,999:	Technical research and advisory services. ³
Government relations.	Trade statistics. ³
Trade promotion.	
Standardization and simplification.	
Trade statistics.	
Trade practices.	

It will be seen that with one exception the activities, Government relations and trade promotion, rank highest in each income group. Changes appear, however, in the complexion of the remainder of the list as the income of the association increases. Thus, while conventions and trade practices appear almost uniformly among the 5 ranking activities of associations with incomes of less than \$20,000, with

³ Have same rank.

one exception they are not found among the activities that larger associations emphasize. Trade statistics and standardization appear among the ranking activities of most of the groups with incomes of over \$2,500 but tend to rank lower among the activities of the large associations than among those of intermediate groups. It is only among associations having incomes of \$50,000 and over that the activities, employer-employee relations, public relations, and technical research, find a place on the list. Despite these variations it is notable that of the total of 18 activities shown in table 27, 7 do not appear among the 5 ranking activities of any of the income groups listed above.

The foregoing observations concerning the relationship of activity to amount of income in general also apply when the number of paid members of staff is used as a measure of the size of trade associations. As may be seen by comparing tables 27 and 28, the directness of the relationship between the prevalence of the activity and the size of the association, however, tends to be somewhat less marked when size is measured in terms of paid staff. This is to be expected, in view of the fact, pointed out in chapter I, that the relationship between the size of the paid staff and the income of trade associations is not a precise one.

ACTIVITIES AND MEMBERSHIP GROUPS

The generalization that the number of activities emphasized increases with the size of the association does not apply when size is measured in terms of number of members. The proportion of associations engaged in some activities, it is true, tends to increase with the size of the membership groups; but that of others varies inversely with, or shows little or no relationship to, size of membership. The relationship between the number of activities and the extent of industry coverage is somewhat more direct.

The following comparison is based on an inspection of tables 29 and 30, which show by size of membership and extent of industry volume of business represented, respectively, the proportion of associations reporting as of major importance the activities specified:

	Activities whose relative frequency tends to vary directly with percent of coverage by volume	Activities whose relative frequency shows little or no relationship to percent of coverage by volume	Activities whose relative frequency tends to vary inversely with percent of coverage by volume
Activities whose relative frequency tends to vary directly with number of members.	Government relations, public relations, technical research and advisory services, commercial arbitration, trade practices, employer-employee relations, accounting, cost statistics and studies.	Trade promotion, miscellaneous services.	Conventions.
Activities whose relative frequency shows little or no relationship to number of members.	Statistical republication and special studies, credit information, traffic and transportation.	Collection service, registration of patents, trade-marks, designs, and styles.	
Activities whose relative frequency tends to vary inversely with number of members.	Trade statistics, price and bid information, standardization and simplification.		

According to this comparison, the frequency with which most of the activities were reported tends to vary directly with the degree of coverage. In other words, the more representative of their industries associations become, evidently the greater the number of activities in which they can effectively engage. There are, however, several activities that seem to have no particular relationship to trade association coverage. These include trade promotion and special services of one kind or another. And the holding of conventions tends to be emphasized more by associations reporting a small coverage ratio than by those reporting a high ratio.

There is a less direct relationship between trade association activity and number of members. Three activities—trade statistics, price and bid information; and standardization and simplification—are most emphasized by associations with small membership and high coverage ratio. The performance of 5 activities—statistical republication and special studies; credit information; traffic and transportation; collection service; and registration of patents, trade-marks, designs, and styles—seems to have no relationship to size of membership. The frequency of the remaining 10 activities tends to vary directly with the number of association members, that of 7 of them varying directly with percent of coverage as well.

Although they are by no means conclusive, the data suggest several general points concerning the relation between the nature of association activity and the size of association membership. In the first place, the size of membership appears to have least bearing on the performance by an association of those special services which any member might provide for himself by resort to the services of private agencies. Whether an association attempts to supply its members with credit or traffic information, for example, depends primarily on the general importance of such information to the industry. In the second place, it appears that certain activities, notably trade statistics and price statistics, are most effectively performed by associations with small memberships. Finally, the data suggest that the larger the number of association members, the greater the emphasis placed on activities of broad dimension, such as Government relations, trade promotion, public relations, and employer-employee relations. This may mean that the members of small industries in some cases have little need for such services, while in other cases they cannot afford programs of this character. It is interesting to note that trade practices appear among the activities whose relative frequency tends to vary directly with the size of association membership. One might suppose that, like trade statistics, potentially effective action along this line in the main would be limited to the smaller industries. But one should recall the broadness of the term, which embraces any action, through propaganda, legislation, or other means that is designed to influence the competitive behavior of the members of the industry or that of members of supplying, customer, or competing industries. In some small associations, moreover, trade practice activities are not formalized and, therefore, are not identified as such.

The following list, which is based on table 29, shows by associations

classified according to number of members, the five activities most frequently reported as of major importance:

Less than 10:	100 to 249:
Government relations.	Government relations.
Trade statistics.	Trade promotion.
Trade promotion.	Conventions.
Standardization and simplification.	Trade practices.
Statistical republications and special studies.	Standardization and simplification. ³
	Miscellaneous services. ³
10 to 19:	250 to 499:
Government relations.	Government relations.
Trade statistics.	Trade promotion.
Standardization and simplification.	Conventions.
Trade promotion.	Trade practices.
Statistical republications and special studies.	Employer-employee relations.
	500 to 1,999:
20 to 49:	Trade promotion.
Government relations.	Conventions.
Trade promotion. ³	Government relations.
Standardization and simplification. ³	Employer-employee relations. ³
Trade practices.	Trade practices. ³
Conventions.	2,000 and over:
50 to 99:	Conventions.
Government relations.	Trade promotion.
Trade promotion.	Government relations.
Conventions.	Trade practices.
Employer-employee relations.	Employer-employee relations. ³
Trade practices.	Public relations. ³

Ten of the total of eighteen activities appear on this list. Of these, Government relations and trade promotion appear among the 5 ranking activities of each group. Trade statistics and statistical republications appear among the ranking activities of associations with fewer than 20 members but not among those having 20 or more members; and, with one exception, standardization and simplification appears only among the ranking activities of associations with fewer than 50 members. On the other hand, trade practices and conventions, not found among the ranking activities of associations having fewer than 20 members, appear among the 5 ranking activities of all the larger groups. Employer-employee relations appears only among the ranking activities of associations with 50 or more members; public relations, only among those of associations having 2,000 or more members.

ACTIVITIES AND AGE GROUPS

There is some basis for the belief that the older associations tend to emphasize a greater variety of activities than those organized more recently. According to table 31, there are a number of activities that tend to appear more frequently among the older than the younger associations, namely, Government relations, public relations, technical research and advisory services, accounting, collection service, trade practices, commercial arbitration, registration of patents, trade-marks, designs, and styles, miscellaneous services, and conventions. This relationship is scarcely, if at all, discernible in the case of other activities; in fact, two activities, trade statistics and price information, appear most frequently among most recently formed associations.

³ Have same rank.

ACTIVITIES AND INDUSTRIAL GROUPS

Both the problems that need solution through collective action and the circumstances that determine the type of collective action brought to bear on these problems to an important degree depend on the nature of the industry. Table 32 shows the proportion of associations in each industrial group that reported as of major importance the specified activities. It will be seen that there is a wide variation among the industry groups in the proportion of associations performing each activity. As measured by the average deviation, this variation, however, is more marked in the case of some activities than others. At the one extreme are collection service, credit information, traffic and transportation, commercial arbitration, price and bid information, and the registration of patents, trademarks, designs, and styles. Emphasis on these activities seems to be determined to a greater extent than in the case of other activities by the nature of the industry. Other activities that show a substantial variation in frequency of performance among the various industries are trade statistics, standardization and simplification, and technical research. At the other extreme, activities whose variation in frequency of performance is least marked, are Government relations, trade promotion, and miscellaneous services.

The following list affords a comparison of the types of activity emphasized by trade associations in the various industries. Based on table 32, it ranks the five activities most often reported as of major importance by associations in each industry group:

Coal mining:	Apparel and other finished products made from fabrics and similar materials:
Government relations. ³	Employer-employee relations.
Employer-employee relations. ³	Trade practices.
Public relations. ³	Government relations.
Trade promotion. ⁴	Trade promotion.
Trade practices. ⁴	Commercial arbitration. ³
Miscellaneous services. ⁴	Miscellaneous services. ³
Mining (other than coal) and quarrying:	Lumber and timber basic products:
Government relations.	Standardization and simplification.
Technical research and advisory services.	Trade promotion.
Trade promotion. ³	Government relations.
Conventions. ³	Trade statistics.
Employer-employee relations.	Employer-employee relations. ³
Petroleum production and refining and natural gas production:	Statistical republication and special studies. ³
Government relations.	Furniture and finished lumber products:
Conventions.	Trade statistics.
Public relations. ³	Trade promotion.
Standardization and simplification. ³	Government relations.
Statistical republication and special studies. ³	Standardization and simplification.
Food and kindred products:	Price and bid information.
Government relations	
Trade promotion.	
Conventions.	
Public relations. ³	
Trade practices. ³	
Textile mill products:	Paper and allied products:
Government relations.	Trade statistics.
Trade statistics.	Standardization and simplification.
Trade practices.	Trade promotion.
Employer-employee relations.	Government relations. ³
Standardization and simplification.	Statistical republication and special studies. ³

- Printing, publishing, and allied industries:
 Employer-employee relations.
 Trade practices.
 Trade promotion.
 Conventions.
 Credit information.
- Chemicals and allied products:
 Government relations.
 Trade promotion.
 Technical research and advisory services.
 Trade practices.
 Standardization and simplification.
- Rubber and leather products:
 Employer-employee relations.³
 Trade promotion.³
 Trade practices.³
 Government relations.
 Trade statistics.
- Stone, clay, glass, and kindred products:
 Government relations.
 Trade promotion.
 Standardization and simplification.
 Technical research and advisory services.
 Trade statistics.
- Iron and steel and their products:
 Standardization and simplification.
 Trade statistics.
 Government relations.
 Trade promotion.
 Technical research and advisory services.
- Transportation equipment (except automobiles):
 Government relations.³
 Trade promotion.³
 Public relations.
 Miscellaneous services.⁴
 Conventions.⁴
- Nonferrous metals and their products:
 Trade statistics.
 Government relations.³
 Trade promotion.³
 Standardization and simplification.³
 Technical research and advisory services.
- Electrical apparatus and supplies:
 Trade promotion.³
 Trade statistics.³
 Standardization and simplification.
 Government relations.
 Trade practices.⁴
 Conventions.⁴
- Machinery (except electrical):
 Government relations.³
 Trade promotion.³
 Standardization and simplification.⁴
 Trade statistics.⁴
 Statistical republications and special studies.
- Automobiles and automobile equipment:
 Government relations.
 Employer-employee relations.³
 Trade promotion.³
 Miscellaneous services.³
 Conventions.
- Miscellaneous manufacturing industries:
 Trade promotion.
 Government relations.
 Conventions.
 Credit information.
 Trade statistics.
- Construction—general and special trade contractors:
 Employer-employee relations.
 Conventions.
 Trade practices.
 Trade promotion.³
 Standardization and simplification.³
- Fishery:
 Government relations.
 Employer-employee relations.³
 Trade promotion.³
 Miscellaneous services.³
 Public relations.⁴
 Standardization and simplification.⁴
 Technical research and advisory services.⁴
- Wholesale trade:
 Government relations.
 Conventions.
 Trade practices.
 Trade promotion.
 Miscellaneous services.
- Retail trade:
 Conventions.
 Trade promotion.
 Government relations.
 Trade practices.
 Public relations.
- Finance and real estate:
 Government relations.
 Trade promotion.
 Conventions.
 Trade practices.
 Miscellaneous services.
- Transportation, communications, and other public utilities:
 Government relations.
 Accounting, cost statistics and studies.
 Traffic and transportation.
 Statistical republications and special studies.³
 Technical research and advisory services.³
- Personal, business, and recreational services:
 Conventions.
 Trade practices.³
 Trade promotion.³
 Government relations.
 Miscellaneous services.

³ Have same rank.⁴ Have same rank.

Sixteen of the total of eighteen activities appear among the five ranking activities or 1 or more of the industries. The 2 activities that do not appear in the above list are collection service and registration of patents, trade-marks, designs, and styles. Most often included are Government relations and trade promotion. Government relations is included among the 5 ranking activities of associations in every industry except construction⁵ and printing and publishing; trade promotion, in every industry except petroleum, textiles, and transportation and other public utilities. Statistical activity—trade statistics or statistical republications—appears among the 5 ranking activities of associations in 13 of the 27 industries. Trade practices, also, appears among those of 13 of the 27 industries. There are, however, few industries in which both statistics and trade practices appear among the ranking activities. Trade practice activity is relatively more prominent among associations in construction, the manufacturing of perishable consumers' goods, and the distribution and service trades; trade statistics, in the production of producers' and durable consumers' goods. Activity in standardization and simplification also tends to concentrate in the latter type of industry. Emphasis on employer-employee relations, as might be expected, occurs among associations in industries in which collective action among workers is prominent, such as coal mining, apparel, construction, printing, and automobiles. Among the other activities, conventions, miscellaneous services, and public relations frequently appear, whereas price information, credit information, traffic and transportation, commercial arbitration, and technical research are found among the 5 ranking activities of associations in one or two industries only.

The data presented in table 32, as well as the above list which is based on this table, have a limited value as a measure of the significance among different industries of various trade association activities, inasmuch as they make no allowance for the wide variation in size and in product coverage that occurs between associations within some of the industrial groups. One should bear in mind, too, that table 32 and the above list are based on activities reported by trade associations as being of "major" importance.⁶

MANNER OF PERFORMANCE

Trade association activities are performed in a variety of ways. Outstanding among the agencies of performance are the association staffs and committees of association members. The staff usually is paid, although in some instances it is composed of members who volunteer their services to administer the affairs of the association. Committee members ordinarily are not paid. Arrangements are occasionally made with individual members of the association to do a piece of work the results of which are made available to the entire membership. Members may directly exchange information among themselves under a general plan conceived by the association staff. The services of outside agencies frequently are enlisted to carry out

⁵ Government relations probably have a greater importance among the activities of State and local associations than among those of national and regional associations in the construction field.

⁶ For comparative purposes table 32A has been prepared, which shows by industrial groups both "major" and "minor" activities. The relating of industrial circumstances to types of association activity is essentially a matter for a series of industry studies, which have not been possible on a general scale in the present survey.

an association program. These agencies may be private business firms, nonprofit agencies, such as governmental departments or universities, or other trade associations. Finally, the parent bodies of federations of associations commonly undertake to perform activities for the affiliated associations and otherwise supplement the activities of these affiliates.

Table 33 affords a general indication of the relative importance of the principal agencies of performance (other than federations, discussed below). This table shows that, with one exception, the association staff was the agency that most frequently performed the various activities. The exception is standardization and simplification, which was reported as being carried on more often by committee than by staff. Committee performance figured prominently in the case of several other activities, namely, technical research and advisory service, accounting, traffic and transportation, trade practices, and commercial arbitration. It played a minor role, on the other hand, with respect to such activities as price and bid information, trade statistics, statistical republications and special studies, credit information, collection service, registration of patents, trade-marks, designs, and styles, and miscellaneous services. As the table indicates, a large number of the associations reported that their activities were performed both by staff and committee.

Many associations in conjunction with their own work resort to outside agencies for assistance in the performance of certain activities. Although the percentages shown in the table are not conclusive in view of the relatively large number of instances in which the type of outside agency could not be identified, they do indicate with respect to which programs of activity the services of outside agencies are most frequently enlisted. Thus, the services of business agencies (other than management organizations, discussed below) are most often employed for trade promotion and miscellaneous, in this case legal, services. It is probably safe to say that in the neighborhood of 30 percent of the associations engaged in these activities depend completely or in part on private firms for their performance. In a few instances it was evident that the outside legal counselor enjoyed an authority so broad that, practically speaking, he served as the association's executive. Other activities in connection with which the services of profit agencies are often employed are Government contact work, public relations, technical research, accounting, special studies, traffic and transportation, credit information, collection service, and registration of patents, trade-marks, designs, and styles.⁷ Fewer activities are performed for trade associations by governmental and other nonprofit agencies. They lie principally in the fields of standardization and simplification, technical research, commercial arbitration, and trade statistics. The trade statistics are chiefly those collected by the Bureau of the Census at the initiative of or in cooperation with trade associations.

⁷ Analysis of the returns reveals little concentration in the use of private agencies by trade associations during the 12-month period preceding the filing of the questionnaire. These returns, however, are somewhat inconclusive, inasmuch as the 12-month period was too short to measure adequately the extent of the use of such agencies; the data do not reflect the employment of these firms by individual members upon the recommendation of the trade associations; and do not reflect the use of these firms by State and local associations. It is interesting to note that executives of trade associations sometimes consider themselves as private agencies of performance by reason of private contractual arrangements with the association members for the performance of certain services not carried on by the association, such as the collection and dissemination of trade and price statistics.

The above data do not reflect certain other ways in which trade association activities are sometimes performed, such as by individual members who undertake to compile information or to conduct industrial research for the association and by cooperative arrangements with associations in other industries. They do indicate that much trade association activity is carried on by means other than a paid staff, and that neither the number of paid staff members nor the amount of income afford a reliable index to the degree of activity of various trade associations. Another fact to be kept in mind in this connection is that the unpaid officers of trade associations often devote a considerable amount of their time to association affairs. The returns of 131 associations, selected at random, show that while the unpaid officers of 19 percent of the associations devoted on the average less than 5 days per year to association matters, those of 34 percent devoted 5 to 9 days, those of 26 percent 10 to 14 days, those of 14 percent 15 to 19 days, and those of 7 percent 20 days or over.

One of the most important ways an association has of getting things done is meetings of the membership. If they are not a manner of performing activity they are a means by which programs of activity are implemented and fostered and represent an essential measure of the activeness of an association. Table 34 shows the number of meetings held during the most recent year as reported by 1,004 associations, not only of the membership in general, but also of product and regional groups, the executive committee, board of directors, and other committees. Approximately 92 percent of the associations reported that they had held meetings of the entire membership, 27 percent that they had held regional group meetings, and 17 percent product group meetings. Of those holding meetings of the entire membership, approximately 61 percent reported 2 or less meetings, 17 percent 3 to 5 meetings, 11 percent 6 to 10 meetings, 8 percent 11 to 25 meetings, and 1 percent over 25 meetings.⁸ It appears, therefore, that the majority of national and regional trade associations hold only 1 or 2 meetings of the entire membership during a year, relatively few meeting as often as once a month. As can be seen in the table, among those associations that hold them, product and regional group meetings supplement the general membership meetings to an important degree. As a measure of the extent of association such data, however, have very definite limitations. They do not reflect the personal contacts of the staff and officers of the association with individual members, which many associations number among their principal activities, and, of course, do not account for such meetings as may be held by the members without the formal auspices of the association staff.

Staff.

Wages and salaries constituted the principal expense of trade associations during the period, 1937-38, amounting to approximately 50 percent of total expenses.⁹ This represents the direct expense of supporting association staffs. It does not reflect wages and salaries that are paid indirectly through the employment of outside agencies to conduct sales promotion campaigns and perform other services.

⁸ The number of meetings was not reported by approximately 2 percent of these associations.

⁹ Based on returns from 875 of approximately 1,505 national and regional trade associations active in June 1938. Wages and salaries and total expenses in some cases were reported for fiscal years ending in 1938; in others, in 1937.

The salary-expense ratio of most associations amounts to more than 50 percent, inasmuch as the other-expense category is heavily weighted by large fees to outside agencies incurred by a relatively few associations in connection, particularly, with legal and promotional services.

It has already been shown that the paid staff of well over a majority of national and regional trade associations consists of fewer than 5 members. The typical association's staff includes the executive secretary and 1 or 2 stenographers or clerks. Returns from associations that reported the data¹⁰ show that 34 percent employed no person who received a salary of \$2,400 or more per year; that 35 percent of the associations paid a salary of \$2,400 or more to only 1 staff member; 9 percent, a salary of \$2,400 or more to only 2 staff members; 6 percent, a salary of \$2,400 or more to 3 staff members, and 16 percent, a salary of \$2,400 or more to more than 3 staff members. Somewhat less than 2 percent of the associations paid salaries of \$2,400 or more to over 25 staff members.

It is evident, therefore, that relatively few trade association executives in the performance of their duties have technical staff assistance. Of 204 associations, selected at random, approximately 56 percent reported that they did not employ experts, either on a full-time or part-time basis. Of the 204 associations—

Approximately 9 percent regularly employed one or more full-time accountants.

Approximately 8 percent regularly employed one or more part-time accountants.

Approximately 7 percent regularly employed one or more full-time economists or statisticians.

Approximately 3 percent regularly employed one or more part-time economists or statisticians.

Approximately 9 percent regularly employed one or more full-time engineers or scientists.

Approximately 3 percent regularly employed one or more part-time engineers or scientists.

Approximately 7 percent regularly employed one or more full-time lawyers.

Approximately 13 percent regularly employed one or more part-time lawyers.¹¹

Approximately 1 percent regularly employed one or more full-time traffic experts.

Approximately 2 percent regularly employed one or more part-time traffic experts.

Approximately 3 percent regularly employed one or more full-time labor experts.

Approximately 1 percent regularly employed one or more part-time labor experts.

Approximately 5 percent regularly employed one or more full-time experts of other types.

Approximately 1 percent regularly employed one or more part-time experts of other types.

¹⁰ In number, 863 of approximately 1,505 national and regional trade associations active in June 1938. It was not possible to include in this tabulation associations that shared their staff with other associations.

¹¹ This figures is subject to question because it is doubtful if the distinction between a regularly employed part-time lawyer and the occasional use of the services of a legal firm was consistently made.

The key member of the staff is, of course, the executive. Time did not permit an analysis of many of the returns, but the following data, based on a random sample of 204 associations, are believed to be reasonably indicative of the information submitted concerning the age, experience, and background of trade association executives.

As may be seen in table 35, the typical trade association executive is a middle-aged man. Approximately 60 percent of the executives reported an age of between 40 and 55. Approximately 22 percent reported one of 55 or more. Relatively few were less than 35 years of age. Approximately 65 percent of the executives have served their associations for a period of 5 years or more, and 27 percent for 10 years or more. Twenty-five percent of the executives of associations 10 or more years of age have been with their associations since their formation.¹²

The majority of trade association executives are recruited from business according to table 36, which shows that approximately 57 percent of the executives reporting their occupation prior to joining the association were business executives, administrative officials, or salesmen. Trade association, legal, and public administration experience constituted the principal background of the other executives. Some additional light on the background of the trade association executive is shed by table 37, which shows the nature of his connection with the industry represented by the association. According to this table, approximately 17 percent of the executives were members, in a business capacity, of the industries covered by their associations at the time the questionnaires were returned. Most of these were industry members serving their associations without pay. At least 36 percent of the executives had never been connected with the industry in a business capacity, and at least 25 percent had been so connected, prior to their trade association work. The prior connections of 22 percent of the executives could not be determined.

Experience in the problems of a trade association and the ways of the industry which it represents is a necessary qualification for the executive of the typical trade association, for his role is unquestionably an exacting one. Except as he may enlist the services of officers, members, and committees, the performance of the association's activities is largely his responsibility, because the income of the association does not permit him to supplement a meager staff with experts or services of outside agencies. In addition to a specialized knowledge of the industry and allied industries, and a wide and friendly acquaintance with most or all of his members and with secretaries of related associations, Government officials, editors of trade journals, and the like, a study of discussions of the subject indicates that the efficient executive is expected by his board of directors to possess most of the following qualifications: Energy; integrity; vision; courage; tact; patience; cheerfulness; resourcefulness; ability to digest quickly and summarize the mass of material of current interest to the members of the industry; ability to speak well in public and effectively guide committee meetings and other conferences; experience in writing; exceptional knowledge of source material; practical experience in Government, labor, and public relations, as well as in trade associ-

¹² These data on length of service are based on returns from 166 national and regional trade associations.

ation techniques; and an extensive knowledge of the antitrust laws. He is often expected to be a statistician and accountant, as well as a lawyer and dues collector.

It is natural, however, that if "the problem confronting the group is one of Nation-wide publicity the type of secretary needed is defined by that problem; if hammer and tongs are needed to wipe out some disorganizing evils within the industry another type of secretary is called for." The selection having been made, the executive can, to no inconsiderable degree, determine the direction and emphasis of the association's program; and the executive in some instances probably has been quite as much a factor in determining the character of the association's program of activity as the nature of the industry, the size of the membership, and other circumstances that have previously been discussed.

In taking hold of an association and conducting it successfully, the executive faces a number of problems. Not the least of these is that of his own job security. Although it appears that an increasing number of executives are under 3- or 5-year contracts, perhaps the majority still must face the trying experience of having their tenure of office voted upon at the annual meeting of the board of directors. Efforts that have been too aggressive, or insufficiently aggressive, in the opinion of certain members or factions of the industry may result disadvantageously to him at this checking-over period. His inability always to render expert service on industry problems that arise or to give personal consideration to the problems of the individual members may also prejudice his case. He may be placed in the position of having to cater to and stimulate prejudices of his members toward other industries, private and public institutions rather than of following the more constructive policy of discouraging uncalled for hostility in their attitudes. The situation often presents the dilemma of the executive's inability, on the one hand, to demonstrate the value of the trade association without additional finances, and the members' unwillingness, on the other hand, to appropriate additional money in the absence of proof that it will yield concrete results. The executive, moreover, may find that the time required in making collections and in meeting current bills seriously interferes with the carrying out of a program of activity. In many instances he must rely on the contributions of a few large members¹³ and under the circumstances may feel obliged to accept their guidance and recommendations, even at the risk of alienating other members of the association and of impairing the general program.

Management organizations.

As was pointed out in chapter I, one of the outstanding developments in the trade association movement in recent years has been the growth of trade association administration by persons or firms that operate or manage more than one association. It is perhaps a misnomer to refer to all such persons and firms as "management organizations," since comparatively few of them have individual clients, or are incorporated, or formally set up as organizations of management. But, whatever the term by which they are characterized, there

¹³ In this connection, see above, pp. 10-11.

seems to be little reason in an analysis of the concentration of trade association administration to distinguish between them on the basis of the nature of or the degree of formality in their organization.

At least 316, or at least one-fifth of the total, national and regional trade associations are administered by management organizations.¹⁴ The management organizations, themselves, number 114. Table 38 presents a distribution of these organizations according to the number of trade associations which they manage. The typical management organization administers very few associations. Of the 114 organizations, 103 handle fewer than 5 associations, leaving only 11 organizations that handle 5 or more associations. These 11 organizations, which represent approximately 10 percent of the total number of organizations, account for 37 percent of the total number of associations administered by management organizations. The largest organization administers the affairs of 35 national and regional trade associations. It should be emphasized that there is shown in this table only the national and regional associations managed by these organizations. Some of them also manage State and local associations, which are not included. Such organizations are largely confined to the 40 shown as operating only one national and regional trade association. They have been included in the table because they also operate State or local associations.¹⁵

Associations administered by management organizations represent nearly every field of industry. As is shown by table 39, however, management organizations figure much more prominently among some industry groups than others. Paper and allied products and iron and steel and their products easily outrank the other manufacturing industries, 63 percent of the paper groups and 54 percent of the iron and steel groups being administered by management organizations. They are followed among the manufacturing industries by electrical apparatus and supplies, machinery, and nonferrous metals and their products. Among the nonmanufacturing groups, fisheries and insurance stand out.

Table 40 shows the industry groups represented by associations handled by each of the 11 management organizations administering five or more associations. It will be seen that there is a tendency toward industrial concentration among the associations of most of these management organizations. This concentration is more definite than is indicated by the table. For example, a majority of the associations in the paper group handled by organization No. 1 represent paper container manufacturers; those in the iron and steel group by organization No. 3, machine screws and related products; those in the food group by organization No. 7, corn products; and those in the paper group by organization No. 10, sanitary food containers and closures.

¹⁴ Based on returns from 1,311 of approximately 1,505 national and regional trade associations active in June 1938. Of the 1,311 associations, the status of 246 remained undetermined, so that the figure 316 represents a minimum. It is believed, however, that few of the 246 associations fall in the category of associations administered by management organizations, particularly in the field of manufacturing.

In addition to the 316 associations—that is, of the associations not administered by management organizations—67 associations reported that they shared staff and/or office space with other associations. Fourteen of these and three other associations reported that their chief executive (paid) officer also acted in an executive capacity, though not as the chief executive (paid) officer, for another association.

¹⁵ Some of the organizations also, of course, have individual clients and in some instances, through arrangements with the individual members, have served informal groups of business enterprises among other ways by making special surveys and collecting and disseminating trade and price statistics.

In general, it can be said that the product scope of associations operated by management organizations is narrowly defined; and that their membership is relatively small, homogeneous, and representative. According to table 41, over 80 percent of the associations administered by management organizations have less than 50 members, 63 percent of them having fewer than 20 members. These members well represent their industries. Approximately 86 percent of the associations represent more than 50 percent of the volume of business of the industries which they cover; and 53 percent represent over 75 percent of such volume. Forty-five percent of the associations administered by management organizations both have fewer than 50 members and represent more than 75 percent of their industries' volume of business.

The average income of trade associations administered by management organizations is less than that of other associations. Table 42 shows that whereas 59 percent of all trade associations had an annual income of less than \$20,000, the income of approximately 74 percent of those administered by management organizations was below that level. Of those associations administered by management organizations handling five or more associations, 63 percent had an income of less than \$20,000. The income appearing most frequently among management-organization associations was between \$10,000 and \$19,999; that of associations administered by management organizations operating five or more associations, between \$20,000 and \$49,999.

Management organizations, on the whole, perform as wide a variety of activities for the members of their associations as do other associations. It is with respect to activities emphasized that these two groups of associations differ. As is shown in table 43, associations administered by management organizations place relatively much greater emphasis on services of an informational nature. This difference is particularly marked in the field of trade statistics and price statistics. Approximately 59 percent of the management associations reported trade statistics as a major activity, whereas only 31 percent of the nonmanagement groups reported this activity as having major importance.¹⁶ The corresponding percentages for the activity, price and bid information, are 16.7 percent and 5.8 percent, respectively. Other informational activities that figure more prominently among associations administered by management groups include accounting, cost statistics and studies, statistical republications and special studies, traffic and transportation, and credit information. It is interesting to note that standardization and simplification, also, appears to play a more prominent role among management associations. In fact, the difference in the relative frequency with which this activity was reported parallels to some extent the difference noted between the two groups of associations in the case of trade statistics.

Federations.

Trade associations frequently enter into cooperative arrangements with one another in carrying out programs in which there is mutual interest. Such arrangements may be quite informal, consisting, for example, of occasional joint action on legislative matters or support

¹⁶ Sixty-six percent of the management associations reported trade statistics as a major or minor activity, the corresponding figure for nonmanagement groups being 42 percent.

of an occasional trade promotion or public relations program. Depending on their duration and magnitude, these informal programs are likely to be performed through joint committees of the participating associations. There probably are few prominent national and regional trade associations that at some time have not worked informally with other associations on problems of common interest.

Highly formalized cooperative arrangements take the form of federations. Generally speaking, a federation is a trade association whose membership consists wholly or in part of other trade associations.¹⁷ Among national and regional trade associations there are 62 federations, which have a total of 139 affiliated (member) national and regional associations.¹⁸ In addition to the 139 national and regional associations, there are a large number of State and local trade associations affiliated with these 62 federations. Fifty-five of the 62 federations are organized along geographic lines. In some cases the member associations were created by the parent organization to facilitate association activity in particular regions or localities, but probably more often the affiliates preceded the parent body, which was organized to facilitate industry action on a national plane. Five of the 62 federations are composed of affiliates representing different product groups. And two federations are composed of both product and regional affiliates.

Table 44 gives the industrial distribution of national and regional federations by type of affiliate. It will be noted that of the 55 federations that are composed of area affiliates, 18 are composed of State and local affiliates only. These federations are concentrated in the construction, printing, retailing, and service trades. Showing a somewhat wider industrial distribution are 34 federations that have regional as well as State and local member associations. Of the 55, there are only 3 federations that do not have State and local affiliates, in other words, that are composed exclusively of regional affiliates. Outstanding among the five associations that are federations of product groups are the American Paper and Pulp Association, which has 16 affiliated associations, the Machinery and Allied Products Institute, with 19 affiliates, and the National Lumber Manufacturers Association, with 14 affiliates.

As can be seen, there are few federations of product groups. It more often happens that where various product groups have need for common action a single association is established and defined broadly enough to encompass them. Product divisions within the association are then established, which permits specialization of activity where and when required. The Rubber Manufacturers Association, with 8 product divisions, and the National Electrical Manufacturers Association, with some 60 product sections, are outstanding examples of associations of

¹⁷ Forty-seven of the total of 62 federations are composed wholly of the affiliated associations; membership of the individual firm in the federation exists only by virtue of its membership in the affiliate, except where there are too few firms in a territory to form a local affiliate, in which case some associations permit direct membership. Fifteen federations, on the other hand, make no systematic effort to organize local affiliates, allow individual firms to hold direct memberships in the federation, and are composed in considerable part of direct members. Ordinarily the governing body of the federation is elected by the member associations, and the member associations are assessed directly for the support of the federation. But there are a number of instances, even among the 47 federations referred to, in which the individual members of the affiliates vote directly on federation matters and in which dues are directly assessed against and collected from them. In nearly every possible form of membership, management, and financial relationship between federations and their members finds an example.

¹⁸ Based on returns from 1,244 of 1,404 national and regional trade associations, excluding those in the insurance field, that were active in June 1938.

this type. This form of organization permits a closer coordination and control of the activities of the various groups than does a federation, which ordinarily has no power to dictate or veto the programs of the affiliated groups. Divisional organization is particularly well suited to industries whose member firms engage in the production of a diversity of related commodities.

Table 45 indicates the size of federations as measured by annual income. According to this table, approximately 43 percent of the federations had an income of less than \$20,000 and 60 percent an income of less than \$50,000 during the period 1937-38. The income of 11 of them, or 18 percent of the total, however, was between \$100,000 and \$250,000; and the income of three federations, or 5 percent of the total, was in excess of \$250,000. These data, it should be noted, do not include the income of the affiliated associations. Were the income data covering State and local affiliates available, a distribution would undoubtedly show the combined income of a number of groups to be in excess of \$500,000.

Federations serve to supplement the work of the member associations and to perform activities which the affiliates cannot efficiently or effectively handle themselves. Of the number of affiliates engaged in each of the activities, table 46 shows the number that rely entirely on the federation for the performance of the activity, the number that share performance with the federation, and the number that perform the activity without help or assistance from the federation. It will be seen that in the case of most of the activities a majority of the member associations reported that their work was supplemented by activity on the part of their federation. Among the activities that member associations tend alone to perform are price and bid information, credit information, and commercial arbitration. Activities, on the other hand, which are seldom performed by the member associations exclusively include public relations, trade promotion, standardization and simplification, employer-employee relations, Government relations, statistical replications, and miscellaneous services.

SIGNIFICANT CONTRIBUTIONS

To give trade associations an opportunity to indicate their plans and hopes for the future, as well as their significant achievements in the past, the following questions were included in the schedule:

What do you feel have been the significant contributions of this trade association to your industry?

Under existing law, what other important contributions do you feel are possible in the future?

Although these questions were addressed to the trade association executive, it may be assumed that in most cases the answers were reviewed by and reflect the opinion and judgment of the board of governors and in many small associations, of the members as well.

In listing the significant contributions of their trade association, the executive and officials presumably reached as far back in the past as their memory of the association's activities extended. These contributions were indicated in terms of specific activities by most of the reporting associations, so that for the most part it is possible to rank them according to the classification of activities used elsewhere in this

report. The following is a ranking of the "significant contributions" of trade associations according to the frequency with which they were reported:¹⁹

1. Government relations.
2. Trade promotion and public relations.²⁰
3. Trade practices.
4. Standardization and simplification.
5. Trade statistics.
6. Fostering the personal association of the members.
7. Technical research and advisory services.
8. Miscellaneous services.
9. Employer-employee relations.
10. Accounting, cost statistics and studies.
11. Credit information service.
12. Traffic and transportation.
13. Commercial arbitration.
14. Price and bid information.
15. Statistical republications and special studies.
16. Conventions.
17. Collection service.
18. Registration of patents, trade-marks, designs, and styles.

This ranking of activities does not differ significantly from that shown above (p. 26) of the activities that associations emphasize at the present time. The chief difference is that the list of significant contributions contains an item that did not appear on the previous list. Somewhat over 200 associations stressed the values of personal acquaintance—characterized above as "Fostering the personal association of the members"—as constituting one of the significant contributions to their industries. These values were described in such general terms as "promoting good will among the members," "demonstrating the values of cooperation," "furnishing the industry a forum in which members may discuss their problems," "bringing about an industry-consciousness," or "removing unfounded fear and suspicion." When specifically described, these values of personal association referred principally to the exchange of information and experience, the elimination of competitive antagonisms, and the definition of fair competitive practices.

Five hundred and four of the seven hundred and eighty-one associations replying to the question of "what other important contributions do you feel are possible in the future" indicated that they contemplated no additional activities, although they usually stated that they planned to extend activity along one or more of their present lines of work. The following list ranks, according to the frequency with which they were reported, the additional activities reported by those 277 associations replying that they contemplated other activity:

1. Trade promotion and public relations.
2. Trade practices.
3. Accounting, cost statistics and studies.
4. Employer-employee relations.

¹⁹ Based on returns from 905 of the 1,244 associations, exclusive of those in the field of insurance, that returned schedules.

²⁰ It will be noted that these two activities which heretofore have been listed separately are combined, a step that was necessitated by the fact that many of the replies did not clearly distinguish between the two activities.

5. Government relations.
6. Standardization and simplification.
7. Technical research and advisory services.
8. Trade statistics.
9. Miscellaneous services.
10. Credit information.
11. Price and bid information.
12. Statistical republishings and special studies.
13. Traffic and transportation.
14. Collection service.
15. Registration of patents, trade-marks, designs, and styles.
16. Conventions.
17. Commercial arbitration.

Although this ranking cannot be considered conclusive in view of the relatively large number of nonreporting associations, it is interesting to note the ranking of several of the activities. Activity in the field of Government relations, which ranks first among the activities in which associations are now engaged,²¹ ranks fifth on the above list. On the other hand, activity in the field of uniform accounting and cost statistics, which ranks twelfth in terms of the relative frequency with which it was reported as of present, major importance, ranks third among the additional activities contemplated for the future; and trade practice activity, which ranks fifth as a major activity in the present, moves to second place among additional activities held possible for the future.

²¹ See table 26.

CHAPTER III

TRADE PRACTICES

In their broadest meaning, trade practices are synonymous with competitive practices. In this sense, nearly all activities of trade associations in some manner may concern the trade practices of the members—either by conditioning these practices or by increasing their actual or potential effectiveness.

Through association businessmen seek, on the one hand, to protect or increase their ability to meet the competition of other industries. This finds expression in many ways: Cooperative advertising, product improvement, the development of new uses for products, and similar trade promotional activities have an obvious role. Quality standardization and labeling programs and efforts to prevent deceptive and misleading advertising by members may have the effect of promoting and securing the consumer's confidence and goodwill in the products or services of the industry. In the field of public relations, efforts to educate or safeguard the consumer in the use of an industry's products, to modify and change patterns and habits of consumption, may be similarly effective. Efforts to reduce the costs or increase the efficiency of the members, when successful, increase the ability of these enterprises to meet the competition of other industries. Standardization, simplification, research, and advisory services with respect to production and distribution processes, are outstanding among trade association activities having this significance. Cost accounting and cost informational programs may result in more economical operations through assisting individual members in identifying areas of inefficiency. Trade, price, and credit informational services in many industries afford particularized data which individual members could obtain for themselves only at an excessive or prohibitive cost. Trade and price statistics may also afford the members of an industry data on the basis of which they can more intelligently meet the competition of substitute products or adjust to changing market circumstances, a program whose effectiveness may be augmented through the exercise of leadership by the association's staff.

Legislative activity is outstanding among the methods by which associations seek to protect or promote the competitive position of their members with respect to other groups. Such activity is most pronounced among industries whose products are intimately affected by considerations of public safety and health. This is exemplified by the food and the construction industries, among which may be found a number of conflicting trade associations continually on the alert lest their industries be legislatively "discriminated" against on spurious grounds of public welfare. Other industries are more or less fortunate, as the case may be, in that their products or services are not as directly affected by public safety and health. But wherever there are industries that serve the same or similar consumer needs, the respective trade associations are likely to number among their principal activities that

of combating competition of other industries. Trade associations, just as individual enterprises, may occasionally indulge in sales promotional activities that have a tendency to mislead the consumer or may "push" the products of their members to a point which competitors charge is unfair. One of the few charges that trade associations openly make against one another arises from this source.

A description of trade association activity in several of these fields, including Government relations, trade promotion, technical research, and standardization, is contained in chapter VII of this report. There might be cited other activities of trade associations that have the capacity for protecting or improving the competitive position of the member enterprises with respect to members of other industries. The trade practice activities of trade associations ordinarily, however, are more narrowly defined. They relate to those efforts that are designed to guide or control competition among members of the industry. These efforts usually are confined to competition between members of the association but sometimes are aimed at the practices of competing enterprises in the industry outside the association. It is to these efforts that attention is directed in this chapter and, in part, in chapters IV, V, and VI, which follow. This discussion primarily seeks to interpret the objectives and to describe the methods of action. It does not attempt to appraise trade association activity from the standpoint of present or alternative public policy.

MUTUAL RESTRAINTS OF COMPETITION

In most markets today the businessman in establishing his prices faces two types of circumstances. He must consider the probable demand for the products of his industry in any market and the industry's ability to meet this demand. What usually is a more immediate and conscious consideration, he must also consider what actions his competitors may take to increase their share of the available business in the market or to maintain their share in response to his own moves. To maintain his own position in the market, he may reduce his prices because he knows, or imagines without knowing, that competitors have reduced their prices or because he suspects that they are planning a reduction. Or he may reduce his prices in an effort to increase his share of the market at the expense of his competitors.

However initiated, price competition for the available business of an industry encounters no natural resistants—no natural force or circumstance that halts the movement at the level of cost. And there is inherent in the market no characteristic that automatically corrects such a "maladjustment." It is possible had business competitors a complete knowledge about one another's policies, the probable consequences of price cutting, and the point of best adjustment to the general market situation, that prices would be so established and maintained as to yield the maximum of possible net returns or minimize the losses. But, to the extent that it exists, such wisdom is likely to be the product of some form of cooperation or collective action.

The urgency of the drive for volume through competitive price cutting varies, of course, between industries and within an industry from time to time. Thus, industries in which overhead costs are prominent are likely more often to be subject to competitive price cutting

than industries in which raw material or direct labor costs are relatively more important. Industries faced by large and powerful buyers are less likely than others to resist the stresses and strains to which prices are subject. The inducements of price may be more important in industries producing homogeneous commodities than in industries in which some immunity from price competition is enjoyed through sales promotion and product differentiation. But of most general significance is the state of the market. The drive for sales volume at the expense of competitors is least irresistible when an industry is suffering from a depressed market.

There are few industries that are not subject to, or in which the members are not at times engaged in, more or less intense price competition for the available business. And there are few trade associations on which a demand for preventive or remedial action is not sometimes made. Met with such a demand the trade association may choose one of three policies. The first of these—the deliberate encouragement or fostering of the competitive struggle between the members—is an unlikely course of action, because it is incompatible with the continued existence of the association. The second alternative—a policy of inaction—is one which a number of trade associations apparently have pursued. Under the third alternative the association accedes, directly or indirectly, to the demand that something be done. The economic philosophy which activates its choice is that unmitigated rivalry for the available business of an industry brings in its wake chaos and disaster, which affects not only the enterprises themselves but their workers and investors. It is deemed by the association to be within the best interests of the participants in the market that this rivalry be tempered—restrained in some degree. This restraint must be a mutual restraint, and it must rest on a foresight that will lead the individual members to look beyond immediate, short-run advantages in the market.

This principle of business conduct, variously referred to as “the golden rule in business,” “live-and-let-live,” “voluntary sharing of available business,” and “business stability,” is urged in most instances, not as a means to an unlimited exploitation of the market or even to securing a comfortable level of profits, but as a safeguard against a condition that is characterized by such terms as “destructive competition,” “price demoralization,” “chaotic competition,” “industrial cannibalism,” and by other words of similar color employed to describe and warn against the results of free or anarchistic competition. As it finds frequent expression in the literature of trade associations, this rationalization of economic behavior is evident in the following statements, which were taken from materials submitted by several associations:

The principal achievement of the association has been the preservation of competition in its original sense of “to strive together for common interests.”

The association has maintained the personal contact of manufacturers one with another, which has helped to eliminate to a great extent competitive antagonism. General discussions of various items affecting industry members have been held to clarify the competitive situation in matters of general industry policy.

We have fostered and encouraged the idea of increasing the individual's volume of business by clear promotional work and the opening of new markets and uses for our product rather than through cutthroat pirating on a competitor's customers.

While prices are not discussed, the fact that the members know one another and are friendly has had a stabilizing influence on the prices of * * * machinery during the life of the association.

Definite price fixing, as such, is not necessary nor wanted in this industry. Price stability is very essential and will be encouraged.

It is part of the function of the trade association—and this Association has tried to specialize on this particular activity—to bring its members into a clear appraisal of the industry. * * * All too often business, and the business activities connected with industry, are conceived as a fight over the division of wealth. When concentration on the production of wealth is abandoned for a fight over the division of wealth, then the devices of a low order of cunning are likely to be more effective than the high order of intelligence.

One of the most perplexing and controversial subjects before the Nation today is that of COMPETITION. Within what limits can and should the competitive principle be maintained as an automatic regulator of our industrial economy?

The members of this Association express their beliefs on this subject as follows:

1. There is such a thing as destructive competition that results in totally demoralized markets and losses to everybody concerned, including consumers of its products. Up to a certain point free and active competition is desirable. Beyond that point it tends to depress wage levels, to lower standards of quality and service, to retard research and development, and to destroy capital. It actually becomes a breeder of monopoly.

2. At the other extreme are forms of control that in too great degree restrain the competitive urge. Where these occur they may tend to cause the springs of ingenuity and resourcefulness to dry up and to retard economic progress.

It has been the purpose of this Association to strive for the middle course—to preserve the principle of active competition within the framework of an orderly marketing of its products. * * *

It is natural and normal for every business enterprise to strive for growth and expansion. Therein lies the mainspring of competition. That desire finds expression broadly in one or the other of two types of business philosophy and activity:

1. The type that, without justification of greater efficiency of performance, seeks growth at the expense of and tends to destroy competitors. That type inevitably tends toward demoralized markets and monopoly. * * *

2. The type that seeks growth through the expansion of the entire industry—through developing new products and new uses and the tapping of new stratas of buying power, on the one hand, and on the other, better, more efficient production, improvement of product and service, less waste and more compensation for employees.

This second type demands a simple form of cooperative organization set up with the following objectives:

- (a) To assemble and publish complete statistics so that each member can see, from the record, the inevitable results of each of these two courses of action, whether practiced generally or individually.

- (b) To help educate managements to see that the second type is both more fair and equitable to every factor in the industry and is in the public interest. Along this road lie the profits necessary to keep our industrial economy healthy and progressive.

- (c) To help educate managements that in adherence to this principle their policies may tend toward the maximum consumption of the industry's products and continuity of its employment.

This constructive type of competition is not advanced as a fixed or absolute panacea for all economic situations confronting industry but as a way of industrial life leading to soundness of operation under whatever conditions may arise, whether profitable or unprofitable.

Herein, we believe, through voluntary action within the democratic principle of cooperation is provided free and active competition expressing itself through orderly marketing.

* * * It, therefore, seems that the Federation has made real progress during the past year with one important exception—and that exception stands out like a sore thumb. * * * Starting last December we lost our heads completely and in the face of increased costs we have shaded margins and cut prices to a point lower than I for one can remember. Apparently the cause was due to the old fear that each mill had of not getting its share of available business, and the result is that probably each mill again has its share, but at a terrible and useless sacrifice of gross and net margins. Why does the fallacy of price cutting have to be demonstrated again and again? It has been clearly shown that in a business like ours, if prices are reduced between 5 percent and 10 percent—which they have—our volume must increase between 50 percent and 100 percent to bring the same net result. We know that such an increase is impossible. Great harm has been done our Industry during the last 4 months, and we are all to blame. Today and here is the time to make a new start. We must get our price level back to a reasonable basis, and we can only do that by a firm resolution made by each and every member of the Industry to refuse to quote prices or make sales under cost.

These statements with varying degrees of explicitness suggest a retreat from free competition and, in its place, the “new” or cooperative competition of trade association. The end in view is the collective security of the members, to be achieved by mutually restraining price competition for the available business of the industry, on the one hand, and by expanding the aggregate volume of the business through trade promotion, the development of markets and product uses, improved efficiency, and intelligent adjustment to general market trends, on the other.

Any program designed to achieve price stability requires of the participants forbearance and a willingness to compromise immediate interests. It reflects the harmony of interest that rivals have in making the most of the aggregate of available business opportunities. The development of an effective program may require continual education and exhortation by those in a position of leadership. There is always a temptation for any member to take advantage of the stabilized policies of his competitors by undercutting, or “chiseling.” It must be constantly emphasized by the leaders that such tactics bring retaliatory action and jeopardize or eventually wreck the program. Personal contacts and solicitation, group discussion, persuasion, watchfulness—all play vital roles in enlisting and maintaining adherence to this principle of voluntary restraint. It is because there usually is a fringe of sellers who under pressure of adverse market circumstances behave imprudently, or engage in “chiseling,” that, as under the N. R. A., the sanction of law is sometimes welcomed as an aid in achieving price stability.

A number of price control devices were incorporated in the N. R. A. codes. The establishment of minimum prices was the most popular because of its potential effectiveness. It promised, not only to limit competitive price cutting, but also to stabilize prices at levels as high as market circumstances permitted. The N. R. A. administration, however, became increasingly cautious about permitting the use of

this device, and it found its principal expression in the prohibition against selling below cost, a provision which a large number of industries subsequently abandoned because of its impracticability when literally interpreted. Potentially less effective, but more widely applied, than minimum price control, was the provision for the filing and dissemination of price lists applying to current and future transactions. At the beginning of the code period, price filing was devised primarily as an aid to minimum price control; it was intended to assist in the policing of members' prices. But with the failure of minimum price determination to materialize widely, price-filing's principal function in preventing competitive price cutting became more indirect and uncertain. It came to be that of eliminating price concealment, which in many industries is a patent contributor to competitive price cutting, since it is through concealment that the price cutter enjoys his differential price advantage.

Most of the multifarious trade rules that found their way into N. R. A. codes were directed at particular elements of price and selling policies. They were designed primarily to support minimum and open price provisions, the former by preventing indirect concessions from the established basic price, and the latter by eliminating those terms and conditions the filing and publicity of which proved troublesome. One type of rule required agents and other sales representatives of manufacturers to abide by the price provisions of the codes that governed their principals. A second type of rule required independent distributors competing with manufacturers for retail or consumer markets to maintain manufacturers' resale prices, in order to prevent these distributors from violating the open and minimum price controls that bound the manufacturers. The third class of rules was designed to prevent members from granting indirect or hidden concessions. This group included rules governing members' policies with respect to classification of customers, trade discounts, quantity discounts, and price discriminations; rules that restricted the granting of terms and conditions of sale relating to shipment and delivery, time of buyers' payment, sharing buyers' risks, additional goods and services, and allowances for value rendered by buyers; rules that prohibited intrinsically secret pricing methods; and rules preventing sellers from rendering financial aid to buyers. These trade rules had important uses apart from supplementing minimum and open price provisions. They were designed in some instances to bolster informal, noncode price controls; in other instances they provided a significant measure of price control in themselves.

Like minimum price control, production and capacity restrictions represented potentially effective instruments for the limitation of price competition but were permitted a limited scope of operation by the N. R. A. administration. These controls were designed both to supplement and supplant the more direct type of price control. Limitations on inventories and on the installation of new capacity had chiefly a supplementary role, designed to keep at a minimum those pressures leading to price cutting that result from inordinate inventories or plant construction. Production quotas and plant-hour limitations in some codes appeared in conjunction with minimum or open price provisions, in others as the only significant limitation. As devices for achieving price stability, they may first limit supply to levels consistent with profitable prices and, second, prevent competitive

price cutting by restricting the volume of product that any member may sell.

Among other rules occasionally employed in programs for price control under the N. R. A. were provisions for product classification, standardization, and simplification. In these programs, the requirements served two ends: They provided the basis for price comparison needed for price control; and prevented the evasion of price control through granting extra or higher quality products without corresponding price adjustments.

With the end of the N. R. A. many associations disbanded or became inactive.¹ A number abandoned their efforts to control prices. Others have continued to concern themselves with the achievement of price stability. Some have fixed prices, restricted production, agreed on a division of markets or customers, or in similar ways have engaged in close mutual restraint on price competition. These are exemplified by prosecutions of the Federal Trade Commission and the Department of Justice, summarized at a later point in this chapter. But it is unlikely that any substantial proportion of national and regional trade associations have engaged in such direct restrictions on price competition.

There are several reasons why trade associations shy away from direct restraints on price or production. The threat of prosecution by antitrust agencies without question has been effective in preventing steps in this direction. Indeed, the sheer nuisance value of informal investigation promotes caution. Many associations can ill-afford the expense of litigation; and the typical trade association executive avoids implication, both because he honestly desires to abide by the law as he interprets it and because he is aware that such an experience may seriously jeopardize, not only the existence of his association, but also his professional standing in the movement. If he cannot eliminate collusive tendencies among the members, he will attempt to dissociate himself from them. The result in some instances has been the formation of "clubs," private bureaus or exchanges, and other groups, usually of limited product or geographical membership, that endeavor to accomplish on the side that which the leadership of the formal organization of the trade has frowned upon or refuses to sponsor.

Trade association executives repeatedly emphasize, too, that theirs is a voluntary membership and that they have available no sanction with which agreements on price or production can be enforced against those members, or nonmembers, who seize an opportunity for profit by taking advantage of the stabilized policies of their competitors. Moreover, the violation of agreements requiring a high degree of trust and self-restraint is likely to cause intense bitterness and demoralization, from which an association may recover only with extreme difficulty.²

¹ See ch. I above, pp. 13-19.

² These remarks, of course, do not apply to association effort in fields such as transportation and other public utilities in which the Government has given its sanction to price stabilization. Elsewhere associations find only opposition from Federal agencies, although there is reason to believe that the Robinson-Patman Act in some instances has served as a point of reference for efforts to eliminate that type of price cutting which takes the form of price variation between buyers. Similarly, the trade practice conference rules approved by the Federal Trade Commission sometimes are misapplied and used as a sanction, as one secretary put it, a "little holy water," for enforcing standards of conduct of which the Commission would not approve. This is particularly true of the provision which condemns "selling below cost with the purpose and where the effect may be to suppress competition, restrain trade, or create monopoly," the qualifying clause sometimes being lost sight of.

These considerations have been stated by a prominent trade association executive as follows:

Some 20 years of experience and study convince this writer that the threat of trade associations to public interest is vastly exaggerated.

Individual self-interest prevents entire unity of purpose and action in prices or other projects inimical to customers. * * *

Agreements persist only to that point where it becomes profitable for some party to break them. A low-cost producer will not long stick to an agreed-upon price or allocation of business which protects a competitor at his expense.

No practical, efficient method for policing and enforcing such agreements has been discovered. Even the N.R.A., with all its powers, could not eliminate what is called "chiselers."

Entirely apart from fear of the law, many experienced trade association secretaries are opposed to agreements as to price, territory, or volume of business. They know that while such arrangements act as a temporary shot-in-the-arm, the resultant reaction is demoralization. In other words, the inevitable violation of the agreement brings indignation, emotion overcomes common sense, prices nose dive to new lows, and competitive piracy becomes rampant.

Trade associations typically disavow price-fixing and espouse price stability. That distinction they carefully draw. Such a distinction exists, but it is essentially a difference between a method of action and an objective of action. A number of lines of approach to the achievement of price stability may be taken by trade associations, of which agreements to fix prices, restrict production, and allocate markets or customers represent only one—that which encounters definite legal obstacles. Other approaches are surrounded by areas of legal doubt, while still others seem to be quite free of legal obstacles or hazards. These lines vary in the directness of their approach to the objective, although the most direct approach may not always be the surest. More fundamental than the manner of approach is the recognition by the members of the industry of the principle of self-restraint in the market. This is prerequisite to the achievement of stability and the foundation of lasting progress in this direction.

In interpreting and implementing this principle of business conduct in terms of actual market situations, a variety of approaches are more or less openly resorted to by trade associations. These range from the occasional, personal effort of the executive to iron out differences or misunderstandings arising from particular transactional circumstances, or from periodically affording the members an opportunity to meet and discuss the market situation, to the prescribing and enforcing of elaborate sets of trade rules designed to guide the members' policies with respect to distribution and conditions and terms of sale. Among the most prevalent and generally significant of these approaches are the statistical services of trade associations.

The trade statistics and price and bid statistics collected and disseminated by trade associations represent the chief fund of knowledge on the basis of which sellers in many markets make their production and price adjustments to the changing circumstances of demand and supply. They afford a guide to action in accordance with the principle of voluntary restraint, trade statistics especially by indicating to the individual seller whether he is maintaining his accustomed share of the industry's business, and price statistics by informing him whether his prices are in line with those of his competitors. No matter how well cherished, this principle of mutual restraint will be ineffective as long as because of ignorance individual vendors mistrust their competitors. The statistical activity of trade associations provides the

member with a regular, periodic summary of his position with respect to that of his competitors. These activities are reviewed in some detail in chapter V, below. Another essentially educational and informational activity which sometimes figures in programs for price stability, that of uniform accounting and cost statistics, is discussed in chapter VI.

Other informational activities of trade associations that may serve in programs for stability include the dissemination of freight-rate information and credit informaton. The preparation of freight-rate books and manuals containing schedules of charges for various transportation services is an obviously valuable service to the members of many industries. Occasionally, however, such compendia include arbitrary charges or delivery terms, designed to implement schemes for geographic price control.³ The collection and dissemination of information on members' credit experience represents another service considered indispensable by many associations. Where regularized, this service usually takes the form of listing the amount of past-due accounts by name of debtor or of showing the average age of all accounts receivable. If an industry has agreed on a limitation of the credit period, such a service may both reveal the degree of compliance by members and afford a basis for the boycott of customers who have been able to prevail against individual sellers.

Aside from their informational services, the principal method by which trade associations endeavor to implement the principle of mutual restraint in competition is the promulgation of what are variously termed as "codes of ethics," "fair practice rules," or "trade rules." These standards of behavior oftentimes are little more than a statement or reaffirmation of the principle of mutual restraint itself. More often they interpret this principle in terms of desired behavior with respect to specific terms and conditions of sale. Except in the detail and extent to which carried, they differ little from N. R. A. trade rules governing the elements of price and selling policy, previously referred to in this chapter. Rarely is any restriction on the basic price included in these rules. They deal with the terms that supplement and modify this price. They usually are issued as recommendations or suggestions—guides to behavior—seldom as agreements. They sometimes are incorporated in standard business forms rather than in formal codes of ethics and, of course, may never assume a written form. They frequently are justified as being necessary to the prevention of "discrimination" and "secret rebates," much as was the Sugar Institute's original "code of ethics,"⁴ although they may be applied regardless of whether or not the terms and conditions are discriminatory or secret. They are found in every branch of industry. This does not mean that all or even a majority of trade associations engaging in trade practice work issue rules to guide or govern the selling policies of their members. It does mean that it is a frequently encountered characteristic of their work. It is an interesting fact that whereas some associations carefully avoid in their codes of ethics any suggestions concerning members' selling policies, others quite openly advise members concerning such policies. Some national associations that refrain from suggestions and recommendations con-

³ See below, pp. 79–80.

⁴ See ch. IV below, pp. 118–120.

cerning price and selling policies actively encourage members to stabilize such policies on a local-group basis.

Some idea of the subject matter of these rules is indicated by the following terms and conditions of sale whose use among others they are designed to govern or restrict in some manner: Cash discounts; periods of free credit; datings; deferred-payment plans; product guarantees; accepting liability for damages to the product; guarantees against price decline or advance; future contract policies; cancellations and options; buying up of distributor's stock of competitors' goods; consignments; commissions; accepting return of merchandise; quantity discounts; trade discounts; customer classification; trade-in values; free deals, premiums, samples, accessories, drawings, et cetera; advertising and other allowances; delivery terms; favors, gifts, entertainment of customers, et cetera. Just as under the N. R. A. some associations suggest that members entirely refrain from resort to a specified practice, whereas others suggest the limits past which its use should not be carried, as, for example, the limitation of cash discounts to 2 percent. In some instances the code of ethics simply contains a blanket rule against concessions, as in one case in which it was stated to

be an unfair trade practice and is forbidden to make rebates, allowances, or discounts, other than the usual 2 percent for 10 days, or for extending any special privileges which would tend to reduce the lowest price for * * * [the] services.

If regarded by the members, rules of this type may be significant in several connections. Under the N. R. A. codes their principal function was to prevent evasion of minimum and open price provisions. In the Sugar Institute, rules of this character were designed to make the published "basis" price the effective price by preventing departures therefrom. In some instances they may now serve to bolster informal price controls; and, as is indicated in the following statement of a trade association executive, they may supplement the price informational activities of trade associations:

It is my conviction that the most significant contribution this Association has made to this whole industry (to nonmembers and distributors as well as to members, as they should freely admit) is the operation of its Code of Fair Trade Practices * * *

And I would insist that of the provisions of this code, which was designed to eliminate discriminatory and other unfair and unsound trade practices, the most important part is paragraph 4:

"The entire consideration shall be included in the price. No commissions, bonuses, rebates, or subsidies of any kind are to be paid or allowed to customers or their employees, whether in the form of allowances for advertising, for freight, or otherwise." * * *

Buyers cannot buy intelligently without accurate knowledge of the true prices at which manufacturers are selling. Nor can manufacturers themselves compete intelligently and fairly unless they are equipped with accurate information or facts about the prices and terms on which other manufacturers are selling.

The publication through our Market Information Service of the prices and terms a member has made in a specified market merely serves as information. There is no written or implied agreement that any published price will be adopted by others. The standard * * * [product] of one manufacturer is substantially identical with that of another in quality and in type and size of package. Prices of such identical goods naturally revert toward a common level in the same market. Standard * * * [product] prices and terms will be found to be quite uniform at all times whether published through the Institute or not. * * *

But such market information is meaningless, deceptive, and confusing both to buyers and sellers, whether secured through publication by an association

or picked up in the trade, if the reported prices and terms are subject to a variety of secret concessions and allowances made to favored buyers. A secret or undeclared special discount of some nature amounting to no more than one-eighth cent a pound would be sufficient in the case of * * * [the product] to win a customer away from someone else. * * *

But here we have a law merchant, an obligation splendid gentlemen have taken upon themselves and their companies. And meeting and facing each other around the membership table occasionally tends to inspire the confidence and courage necessary to give real meaning and integrity to this provision. * * *

In many cases these rules are unaccompanied by a systematic exchange of prices. Their potential significance is limited to the measure of stability which they in themselves afford. This may not be inconsiderable in such fields as the apparel trades, where list or nominal prices in many instances have been "grooved" or fixed by custom,⁵ and where the sales terms and conditions that govern transactions take the form of discounts, allowances, consignments, return-goods policies, and the like.

Ordinarily, the published rules cover only a few elements of the selling policy. A line obviously was drawn in some cases between what seemed to be reasonable restriction and what it was feared might appear to be unreasonable. The generalization can be made that the more restrictive the provision, the less frequently is it included among the rules. Thus, limitations on quantity discounts appear less often than do limitations on cash discounts. In other instances one gained the impression that the incompleteness of the limitations reflected the absence of serious effort to enforce the trade practice program.

It was demonstrated by the Sugar Institute and again in many industries during the N. R. A. that it is practically impossible to close every avenue of price concession. Concessions may express themselves in an almost unlimited number of ways, and many code groups found that the promulgation of new rules devised to block particular types of evasion was followed by new and increasingly ingenious dodges, with the result that the authorities never quite caught up with the evaders. The history of the Sugar Institute's efforts well illustrates the length to which a trade association may be forced in a price stabilization program.⁶ Such evasion may be prompted merely by the desire of the so-called "chiseler" to profit by taking advantage of the stabilized policies of competitors abiding by the controls, or it may arise when, as under the Sugar Institute, the rules have an uneven incidence, that is, a tendency owing to their unusual methods of doing business to be considerably more restrictive on some members than others. Whether a trade association succeeds in its program depends fundamentally on how well the members are imbued with the economics of mutual restraint and on the extent to which the rules can and do recognize the differing position of the individual members with respect to such matters as distribution methods, location, and integration.

Even though they deal in a very detailed and comprehensive manner with the selling policies of the members, trade rules when promulgated need not be immediately restrictive. The crystallization of the

⁵ The "grooving" of prices in at least one apparel trade was clinched through negotiation between the producers' and retailers' trade associations during the recent depression. Associations in other trades undoubtedly use their sanctions to preserve the inviolability of this custom.

⁶ See ch. IV below.

customs of a trade, which in some instances has been based on careful market surveys or worked out through consultation with buyers, may merely recognize existing practice. The significance of the rules in this connection is that of discouraging or preventing the resort by members to new practices that may undermine the stability of the market. It should be recognized, also, that the trade customs promulgated by some associations make no recommendations concerning selling policies, being confined entirely to definitions and explanations of standards of performance and acceptance, practices and terms, current in the trade, particularly as contained or referred to in contracts between buyers and sellers. They are frequently the products of commercial arbitration proceedings.

The trade practice activity of a trade association involves both the formulation of practice and the securing of adherence to practice. Trade association effort to obtain compliance ranges from a wishful reference to the promulgated practice to an active policing of the industry and a penalizing of violations. In some cases trade association executives have said, "Yes, we have a code of ethics, but some members have long since forgotten their existence, so little have they been referred to." Other executives have referred to codes of ethics as points of reference for remonstrance with those who have violated the customary practices of the industry. By degrees the effort to obtain compliance grows more intense, ordinarily retaining an informal character but in some instances reaching the point where the rules, in addition to the sanctions of economic self-interest and personal conscience, are supported by financial penalties. Thus, the secretary of an apparel association, which has a trade practice budget in excess of \$100,000, administers a vigorous enforcement program, which is backed by a system of liquidated damages. It was his belief, that it was the remedy for most of the ills of the industry today.⁷

Some trade association executives are unaware of the magnitude of their effort in this direction. They are like many humans, who would be surprised to learn how much of their time is devoted to Christian charity and good will toward men. One executive pictured his work as follows:

My work in this matter is largely confined to obtaining information on prices. A member may call me up and state that a competitor has secured business by a very unreasonable concession in price. I call up the other member and ask him what the price was that he quoted. In most cases it develops that the job as he

⁷ This association requires that when a member joins the association he sign a contract that obligates him to observe the "fair commercial practices" stipulated in the association's bylaws. These rules include maximum cash discounts and anticipations; prohibition of consignment selling; the requirement that goods be sold f. o. b. city of manufacture; prohibition of advertising subsidies to retailers; limitations on the acceptance of returns and cancellations; prohibition of the practice of "cut, make, and trim" for retail distributors except mail-order houses; prohibition of participation in group showings; prohibition of the acceptance of charges for telegrams or long-distance telephone calls from customers; and prohibition of matching of hats or suits with coats of large sizes. The association maintains a field staff to audit members' records and to make investigations necessary to determine whether the practices are observed. Provision is made for hearings in case of alleged violations. Violators are required to pay a sum of not less than \$100 nor more than \$5,000 as liquidated damages except in cases in which the retailer deducts in his remittance a greater discount than is provided for in the "fair commercial practices," in which event the member is deemed not to have violated the practice. According to the secretary, strict compliance for the most part has been obtained, although there are some exceptions. For example, one New York retailer, it is known, demands and receives a 10 percent discount instead of the customary 8 percent. This, however, cannot be proven by audit, since the sellers remit the 2 percent surreptitiously in cash. The problem of the large chain-store and mail-order house demand for extra discounts and other concessions has been successfully negotiated in some cases, but in other cases negotiation has not been successful. The problem of so-called "excessive" returns of merchandise by buyers, according to the secretary, is also far from solution.

bid on it was much less elaborate in specification than the one on which the complaining member based his bid. If necessary, I get the two members together where they can compare their offers. It frequently happens that the facts reveal that no price cutting was involved and both members part friends. If I had not dispelled the resentment occasioned by misunderstanding, a real price war might have been started by the aggrieved member. It frequently happens that the buyer is at the bottom of the controversy, because he gave specifications to the low bidder which would result in a lower price without mentioning the differing specifications to the high bidder. I have no doubt that my work with the members in such matters has added considerably to the harmony and stability in the business.

This executive regarded the described activity as comprising about all that he did to obtain observance of the association's code of ethics. As a matter of fact, this represented only part of his effort, for he also emphasized fair competition in his conversations with members and in his printed releases. Another trade association executive stated his position as follows:

Yes; we have a code of ethics. It's something like the Ten Commandments, a nice thing to refer to but something which we do very little about. When it comes to unfair competition any smart businessman can beat it. There are lots of ways. For example, a member came in to see me recently and stated that a competitor was taking a lot of business away from him by quoting 40 percent instead of the usual 30 below the list price. He said he [the member] needed the business but didn't see how he could make out at such low prices. I said, "Well, why try to take the business? Why don't you, on the contrary, let him have so much business that it will choke him? For example, when one of his customers tells you so and so is quoting 40 percent off the list say, 'Is that all, why I heard he was granting 50 percent.' It won't be long before you'll have him bidding against himself and this will cure him."

This was an unusual approach to the problem of obtaining adherence to a code of ethics, but probably was applied with some effect. The executive in this case sincerely disclaimed any concern with trade practice.

There is one aspect of trade-association effort to promote price stability that should not be overlooked. That is the stress that is placed on quality and sales promotion as the proper channel for competition. It is almost entirely by such indirection that some associations attempt to minimize price competition between their members. One association reported that in safeguarding the interests of the industry its principal achievement was that of "inhibiting the losing sight of differentiating qualities of one company's products as against another." A number of associations through clinics and in other ways systematically attempt to inculcate in the minds of members' sales representatives proper selling techniques, in a manner indicated by the following, which was taken from a talk by a trade association secretary before a group of salesmen:

We are all familiar with the weak type of representative. He is the limited fellow who is always worrying about what competition is doing and has a ready ear for so-called "chiseling" tactics on their part. He then runs like a weakling to his company to sell them on meeting different competitive conditions, most of which are probably imaginary, rather than sticking to his guns and bringing out the fundamental advantages of his own equipment in true merchandising fashion, doing the service his concern expects of him and for which they have employed him.

Efforts to guide the conduct of sales representatives sometimes are directed at curbing overaggressiveness, particularly with respect to customers ordinarily served by other members. Such an objective

is suggested in the following resolution adopted by a regional association in the printing industry:

Whereas oversolicitation of accounts being served satisfactorily by one or more engravers, constitutes one of the great evils existing in this industry, and

Whereas the continual calling on such clients with a plea to be given an opportunity to figure on work and which, because it is usually done in a hurry or under conditions unfavorable to do this properly, results frequently in errors which are not discovered until after the completion of the work, and

Whereas there is too much of an element of guessing and gambling as to the proper interpretation of a piece of work when this is figured from sketches or dummies and consequently causing a great amount of misunderstanding and lack of confidence between competing organizations, therefore be it

Resolved, that the inexperience and overambitiousness of members of the sales force be corrected. * * *

In leading their members mutually to restrain their competition for the available business of the industry, trade associations are concerned primarily with competition in price and the terms and conditions of sale which functionally cannot be distinguished from the inducements of price. There is little evidence that they are concerned about the possible costs of that competition between members which takes the form of advertising and other forms of sales promotion and product differentiation. These forms of competition are left open as avenues of retreat from price competition. It can be said, however, that the group advertising programs of trade associations may reduce the need for certain types of sales promotional effort on the part of the member concerns; and that product simplification, if it is not designed to do so, in some instances has the effect of limiting product competition in terms of grade, size, and variety of line. It is also true that any rigorously applied share-the-market program may limit aggressive advertising, as well as price cutting tactics.⁸

CONTROL OF PRACTICES PECULIAR TO CERTAIN ELEMENTS IN AN INDUSTRY

Distinguishable from the efforts of trade associations to promote the stability of their industries by encouraging mutual restraint in competing for the available business are those efforts which are designed to suppress, or in some manner against their will to bring under control, the competition of particular factions or enterprises in the industry. These programs ordinarily are directed against non-members.

In some of these efforts trade associations enjoy the support of public policy. A familiar field of activity has been their effort to deal with false advertising and other practices which are illegal. In this connection the trade practice conference procedure of the Federal Trade Commission makes available a means for the voluntary participation and cooperation of trade associations with the Commission "in the establishment and observance of rules of fair practice." Several hundred trade associations have adopted such rules, which usually are made a part of their codes of ethics. Among the subjects covered by these rules the Commission lists the following:

Misbranding and misrepresentation in various forms, including deceptive packaging or advertising of industry products; defamation of competitors and dis-

⁸ It is noteworthy in this connection that at least one association, representing an industry in which advertising is an important competitive weapon, regularly collects and disseminates data showing the advertising expenditures of the member companies. On the basis of such information the individual members, if they chose, might, of course, so regulate their own expenditures that they did not exceed the customary proportion of the industry's total.

paragement of their products; impersonation or misrepresentation to obtain trade secrets of a competitor; harassment of competitors by circulation, in bad faith, of threats of infringement suits; full-line forcing as a monopolistic weapon; selling below cost with the purpose and where the effect may be to suppress competition, restrain trade, or create monopoly; use of "loss leaders" as a deceptive or monopolistic practice; price discrimination to injure, prevent, or destroy competition; harmful discrimination in the matter of rebates, refunds, discounts, credits, brokerage, commissions, services, promotional allowances, etc.; commercial bribery; inducing breach of a competitor's contracts; false invoicing; imitation of a competitor's trade-marks, trade names, labels, or brands; adulteration; substitution or passing off; lottery schemes; abuse of so-called "free goods" deals; price fixing, and use of consignment distribution to close competitors' trade outlets. Other provisions of rules require disclosure of fiber content of textile products to prevent unfair competition and deception of purchasing public; disclosure of fact that apparently new products are not new, but rebuilt or renovated; disclosure that products are artificial or imitations and not real or genuine; designations as to shrinkage properties or preshrunk character of product; prevention of the marketing of substandard or imitation products as and for the standard or genuine, and the specification of minimum requirements for standard or genuine product; and proper nomenclature for, and disclosure as to character of, industry products, and the prevention of deceptive or misleading designations.*

Rules dealing with product misrepresentation as promulgated by the Commission in some instances have been supplemented by the establishment of criteria, consistent with the letter of the rule, by which the determination of misrepresentation is facilitated. In other cases associations, independently or through one or more of the various standards agencies, have established minimum standards and labeling requirements for their products to prevent deception.

Characteristic of trade association programs directed against the competition of certain elements of an industry is the fact that they encounter opposition. The sanctions of economic self-interest, moral suasion, and trade opinion are unlikely to be effective. Hence, sanctions of a coercive nature often are enlisted when associations embark on such programs. Economic coercion ordinarily takes the form of boycott. Among the general uses of boycotts that have figured in situations coming to the attention of Federal antitrust agencies may be mentioned the attempt by associations to control the prices of nonmembers, to eliminate the pirating of designs by nonmembers, to drive nonmembers out of business, or to accomplish the same ends with respect to stubbornly rebellious members; the effort of distributors to prevent manufacturers from selling direct to retailers or consumers; and the effort of manufacturers to control the resale prices of distributors or to eliminate them from the market. These and other uses of the boycott are reviewed at a later point in this chapter.

In connection with the mention of distributors' boycotts of manufacturers, it may be noted at this point that associations of contractors, wholesalers, and retailers commonly endeavor to prevail on manufacturers to recognize the distribution function of their members and to allow them more liberal terms or conditions of sale. Thus, among its major achievements, the National Federation of Implement Dealers' Associations lists:

Prevailed on the leading manufacturers to increase by 10 percent the dealers' discount on repair parts.

Secured for dealers the return privilege on repairs under an equitable plan, thereby warranting the carrying of larger stocks.

Secured marked improvement in repair invoice service, the shortcomings of which were a handicap to dealers.

* Annual Report of the Federal Trade Commission, 1938, pp. 108-109.

Induced practically all thresher manufacturers who were charging list prices on repairs to noncontract dealers to grant their regular trade discount on all repair orders filled.

Secured the discontinuance of wrapping charges on parcel post shipments.

Secured the cancelation of objectionable features in contracts, the elimination of the deposit feature from tractor contracts being a notable example.

Secured protection for the dealers to such extent that direct selling was reduced to the minimum.

Prevailed on the manufacturers' association to prepare and announce "a definition of an implement dealer," and thus secured a definition acceptable to the trade. * * *

Prevailed on the leading manufacturers to publish and circulate among their dealers retail or resale price lists. * * *

Induced many manufacturers to "mention the dealer" in their advertisements in farm papers. * * *

Obtained for the Dealers recognition as the best channel for the distribution of the product of the factories of this country and showed the manufacturers and jobbers the necessity, not only for the Dealers' interests but for their own as well, of subscribing to the broad principle, "To the Retail Dealer Belongs the Retail Trade."

At a national convention of a special contractors trade, a resolution was adopted which provided that the manufacturers of the product handled liberalize their credit terms. The question was then raised concerning how it might be enforced. After some discussion the secretary stated:

The thing is to get one or two manufacturers who happen to be doing it, outside of the manufacturers' association, to agree to publish that as their terms, on their price list, as a discount to all contractors. I think the other manufacturers would immediately follow—fall in line. Whether you can do that or not is another thing, because they have been very successful in keeping that thing that way. Every time they hear about it, they threaten to cut prices. * * * If you can get one manufacturer to go through with it, a manufacturer of some consequence in the industry, then they would all do it. A member who was doubtful about the efficiency of this procedure suggested—

* * * that they all write to you, as the executive secretary, letters to the manufacturers in sealed envelopes and let them all go from your office to the manufacturers, wouldn't that have more weight than if one or two might go out of here and write a letter?

The action, if any, taken by the association to prevail on the manufacturers to liberalize their credit terms is not known, but it was apparent that the members were not sanguine about the probable results of their resolution. This group of contractors in recent years has been threatened by the spread of independent "jobbers" and has attempted to obtain from the manufacturers a relatively more favorable discount than that granted the jobbers. The manufacturers' association has taken the position that the Robinson-Patman Act did not permit such a discount and has sponsored in lieu thereof a "co-operative contractor plan," designed to reward contractors, and jobbers as well, for volume purchases and to reimburse them for sales promotional efforts. This plan evidently satisfied few of the contractors.¹⁰

¹⁰ The adjustment of differences between producers and distributors may be facilitated where the association embraces both producers and distributors. The secretary of one such association claims that he has been successful in obtaining from his producer members, margins on new product lines that have been satisfactory to his member dealers. In another case the producer and dealer members, in accordance with a "practice" of the trade, deal exclusively with each other, the dealers not buying from nonmember producers and the producer members refusing to sell to nonmember dealers. This was originally a rule of the association, but with the passage of the antitrust laws it became an unwritten standard of behavior, violation of which, however, constitutes ground for expulsion from the association. This practice is accompanied by the dealers' practice of abiding by resale prices set by the producers.

Perhaps the most generally significant action of trade associations against nonmember competitors has been the sponsoring of legislation—enlisting the sanction of law behind their trade practice programs. A number of associations of wholesalers and of independent retailers carry on an unremitting fight against their large, mass-buying competitors, list among their achievements the Robinson-Patman Act, State fair-trade and unfair-practice laws, and have actively sponsored chain-store tax measures. Other associations have sponsored or fought tariff revisions, and many regional associations are, of course, actively concerned that freight rates in their territories shall not place them at a disadvantage with competitors located elsewhere. Just as under the N. R. A. some associations have welcomed and actively supported recent wage and hour legislation as a partial remedy for competition which members encounter from enterprises located in "substandard" areas. Among other types of legislation that associations have sponsored or supported as a means of curbing "substandard" competition are the pure food and drug legislation; sanitary requirements for the production and packaging of dairy and other food products; restrictions on the use of "unsanitary" and second-hand materials in bedding, mattresses, and similar products; building codes giving preference to certain products; curbs on itinerant vendors, street peddlers, and auctioneers; barriers against out-of-State competition; and "expert-training" and licensing laws, particularly in the contracting and personal service trades. One example may be cited. The following paragraphs were taken from the minutes of the "Thirty-fifth Annual Convention of the Tile and Mantel Contractors' Association of America, Inc.":

PRESIDENT, I think next we will have something of interest to everybody
* * * the Carolina licensing law. * * *

Mr. CARTER. I am very happy to have this opportunity of saying a few words in reference to our licensing law to the national association. * * *

* * * Mr. Carter read the bill making the following interpolations: * * *
(After section 3 he said): You may be interested to know that the present [licensing] board is composed of H. T. Thrower, of Charlotte; G. W. Carter, of Kinston; B. F. McClamroch, of Raleigh; V. J. McDaniel, of Asheville; J. Knight Davis, of Wilmington; all members of the national association.

(After section 9 he said): Now I might say that that paragraph was put in there, and all persons who were engaged in tile contracting on the 1st of March 1937 in the State, who furnished proper proof, received licenses. That was necessary to be done. You can't put anyone out of business already in the business. We can control the future, but we cannot control the past.

(After section 11 he said): Under that section of the law we have it working both ways. The contractor himself must have a license in order to do business in the State, and any architect, engineer, or general contractor who receives a bid from an unlicensed contractor and considers that bid is subject to the penalty clause of that section, and that might be true even if it were not in the bill, gentlemen, for this reason, if it were a misdemeanor for a contractor to engage in business without a license and he was an owner, or an architect, or engineer, or someone building a house, and knew that by employing you to do a job without being licensed you were helping him break the law, then you become a party to the crime itself, and certainly an accessory under the law is the same as a principal—it is good law. * * *

Now in order that you may hear of the law and have it discussed by a tile contractor I am going to turn the discussion over to a very distinguished member of your body, a member of your association from North Carolina—I give to you Mr. Julian McClamroch, of Greensboro. * * *

Mr. McCLAMROCH. In North Carolina, as elsewhere I suppose, we had a number of evils. The brick mason who was out of work was soliciting business of every type. He naturally solicited a certain amount of tile busi-

ness. The plasterer followed suit, as did the linoleum layer. The general contractor who had taken a job for nothing just to say he had a job looked about for means of getting subcontracts done for nothing. This led to a buying and installing of our products themselves. The unemployment situation caused the tile setters, a considerable portion of them still apprentice boys, to take a bucket, a few tools, an old automobile, and a few samples they had probably taken out of the back end of some legitimate tile contractor's shop and set out to solicit tile business. The result was inferior material, mostly seconds, bad workmanship, and terrible looking jobs, which turned the owners and architects from clay tile to substitutes, such as glass, linoleum, rubber tile, asphalt tile, etc.

Something had to be done. So a group of us tile contractors got together in Charlotte, N. C., on several different occasions and laid our griefs on the table. Out of these conferences came what is known today as the North Carolina tile contractors' licensing law, which Mr. Carter has already discussed with you today. * * *

Question. Are there any other building trades licensed in your State—the brick masons, the carpenters, the plasterers—do they operate under a license also?

Mr. CARTER. Our State has been very progressive in that it has adopted the Federal Government's procedure of attempting to control practically every industry. We have a plumbers' law, we have a general contractors' law, a barbers' law, a beauticians' law, a photographers' law, but the bricklayers, carpenters, and workers of trades of those kinds have no law in our State. * * *

Question. Must the licensed tile contractor buy directly from the manufacturer or has he other sources from which to buy material?

Mr. CARTER. The licensed contractor buys directly from the manufacturer or from whomever he pleases; any manufacturer has a right to sell tile to anyone who buys it, and he cannot be stopped at all. We only request them, in view of the fact that we have this law, that they cooperate with us to such an extent that they sell to licensed contractors because when they sell to a bricklayer or someone who they know is not qualified under the laws of the State to do business, they are in reality not following, I think, the practice of good business, because they are indirectly creating or becoming a party to a crime that will be committed.

Question. But have they other sources besides the manufacturer from whom you can buy tile? Are there any jobbers?

Mr. CARTER. Mr. McClamroch can answer that better than I can.

Mr. McCLAMROCH. Mr. Pappalardo, we have no evil such as you have—we don't have jobbers. [Applause.] We don't know of any jobbers that are shipping tile into North Carolina.

Mr. PAPPALARDO. That is very good.

Mr. McCLAMROCH. But if he does ship tile in to somebody who is not licensed he has become an accessory to the crime, the same as the manufacturer as we explained to you. * * *

Question. How many of those engaged in the tile business did not make application under the new law, and still do business or are attempting to?

Mr. CARTER. There are none, so far as we know.

Question. How many did not continue business after the law went into effect?

Mr. CARTER. That would be difficult for me to say. A number of the general contractors, for instance, employed tile setters and mechanics to do their tile work; those people were not qualified to receive license under the law; all of that has been stopped, but every contractor who was doing business in North Carolina prior to the enactment of the law and at the time of its enactment has secured license and received that license without examination.

We have conducted two examinations, and the applicants for license were not qualified to do business, either by reason of their lack of education or other qualifications to engage in such business.

Mr. BURCHENAL. Did you say there were applications from general contractors?

Mr. CARTER. Yes, sir; and they were rejected. We have had no fight or criticism upon the act of the board so far as I know in not issuing license.

Mr. MARTIN. After the law was written and submitted to the legislature, did it take a long time to put it through, and was much lobbying necessary before it was enacted?

Mr. CARTER. We had a rather difficult time with that law, as you probably can realize. We secured no cooperation from the general contractors whatever. We

were fought to a great extent by the general contractors in the State of North Carolina—their association also takes in South Carolina, and is a very powerful body which employs an organized lobby, a lobby that stays down there at the legislature all the time.

This Act was introduced into the legislature shortly after the first of the year of 1937, in January; it was passed in March, on the last day of February and the first day of March of 1937. It required the constant attention of a number of people, members of the Association, down in the legislature. The bill was presented to the legislature and it was referred to the judiciary committee No. 1. The hearings were postponed on a number of occasions, at the request of the general contractors; we appeared, however, promptly at every hearing, and we were in position to argue our point, and very effectively, in that the general contractor could take no position that was tenable as against the tile-contracting law, he was putting it upon a selfish plane, and in his own interest, because the act, while it affords protection to the tile contractors, at the same time it provides a large measure of protection to the general public which the public of North Carolina never had before this act was passed. * * *

Executive secretaries of some of the associations in the industries affected have expressed their concern over the efforts of some of their larger members to influence the writing and administration of building codes and sanitary food requirements in such a manner as to favor their particular line of products and have attempted to combat this activity by making contacts with the legislative bodies and administrative agencies concerned the prerogative of the association. Such association contacts, they claim, are continually required to secure and maintain uniformity, as between the many State and local jurisdictions, in the formulation and application of the laws.

NUMBER OF ASSOCIATIONS ENGAGED IN TRADE PRACTICE AND RELATED ACTIVITIES

In indicating the prevalence of trade practice activities among national and regional trade associations, one must consider, not only activities directly affecting and ordinarily termed "trade practices," but also certain other activities that may have an important bearing on price and other trade practice relationships. Of these activities the trade and price statistical work and the uniform accounting and cost informational work of trade associations are outstanding. The character of trade association activity in these latter fields is discussed in some detail in subsequent chapters of this report.

On the basis of available information it is possible only to indicate the number of associations that reported activity in one or more of these fields:

"Trade practices."

Trade statistics and/or price information.

Uniform accounting and/or cost studies.

It is not possible on the basis of available information to determine quantitatively the direction or specific application of trade association work in these fields. Of these items the content of the item "Trade practices," as was pointed out in chapter II, is broadest and least subject to definition and limitation. It is certain, however, that efforts to establish standards of conduct through trade "ethics," trade rules, or less formal standards when reported by trade associations were designated as "trade practice" activities.

Nine hundred and sixty-six, or approximately 81 percent, of 1,175 national and regional trade associations, exclusive of those in trans-

portation, public utilities, and insurance, reported activity in one or more of the three fields listed above. A better indication of the emphasis placed on these activities is provided by confining the comparison to the activities reported as of "major" importance. Seven hundred and forty-one, or approximately 63 percent, of the 1,175 associations reported a major degree of activity in one or more of these fields. Table 46A shows a distribution of these associations by industry group and by types of activity reported.

According to this table, there were 65 associations that reported a major degree of activity in each of the three fields. Of the associations that reported activity in only one of the three, the largest number, 215, reported trade statistics and/or price information; they were followed closely in number by associations reporting "trade practice" activity only, of which there were 206. On the other hand, only 33 associations reported that of the three activities they gave major emphasis to uniform accounting and/or cost studies only. There is little difference in the number of associations that reported the various two-out-of-three combinations of activities.

Of the various industry groups, the electrical, paper, furniture and finished lumber products, and rubber and leather industries ranked highest in terms of the proportion of their respective associations that reported major emphasis on one or more of the specified activities. There is a considerable difference in the types of activity emphasized by associations in the various groups. Reporting a much greater emphasis on "trade practice" activity than on other activities were associations in the wholesale, retail, and service trades, associations in the apparel, printing, and construction industries. Industries whose associations tended to concentrate on statistical or accounting activities, on the other hand, include paper and paper products, iron and steel and nonferrous metal products, furniture and finished lumber products, basic lumber products, machinery, and electrical apparatus and supplies.

Supplementing and illuminating these differences between industrial groups are the data in table 46B, which presents a distribution of associations reporting a major emphasis on the various activities according to size of membership. This table indicates that emphasis on statistical activity in large part is confined to associations having a relatively small membership, emphasis on "trade practice" and accounting activity relatively more often being encountered among associations with a large number of members. Thus, of associations reporting a major emphasis on statistics only, approximately 60 percent had fewer than 20 members, whereas the corresponding ratio for associations reporting a major degree of activity in the field of "trade practices" only was 20 percent, and of accounting only, 21 percent. Of the various two-out-of-three combinations of activities, those including statistics likewise showed a much greater concentration among small associations than did the combination, "trade practices" and accounting.

TRADE ASSOCIATION ATTITUDES TOWARD PUBLIC POLICY

Of 1,244 trade associations, exclusive of those in the field of insurance, that returned schedules, 647 replied to the question: "If there were no legal limitations or area of doubt, what additional activity or

activities would you endeavor to develop with the expectation that they would significantly benefit your membership?" These answers may be classified as follows:

Number indicating one or more additional activities.....	202
Number not replying but indicating a need for clarification of the law--	36
Number replying that they would develop no additional activities.....	409

Of the 202 associations indicating that they would engage in one or more additional activities if there were no legal limitations or areas of doubt, 13 merely indicated that they would take steps to combat "unfair" competition or "unfair" trade practices. Nearly all the remaining associations expressed a desire for price or production control, in connection with which the participation or supervision of Federal agencies was not infrequently urged or invited. Thirty-two of them simply stated they would endeavor to eliminate destructive price competition or to promote stability of prices, without indicating the methods or devices which they would employ. Thirty-six stated that they would adopt some form of production or capacity control. Such control was broadly described by a majority of these 36 associations as the restricting of supply to conform with demand; among the specific devices mentioned by some were production or sales quotas, machine-hour limitations, restrictions on entry or new capacity, and the elimination of obsolete or excess equipment. Of the more direct price control devices, the elimination of below-cost selling was mentioned most frequently, 35 associations indicating that they would establish minimum prices on this basis. Many of the associations did not define the character of the cost basis; when it was indicated the basis was described by such terms as "average," "fair," "representative," "reasonable," and "honest." Twenty associations replied that in approaching price control they would stabilize or make uniform one or more of the terms and conditions of sale. Fourteen associations indicated that they would engage in the collection and dissemination of price, and in a few instances bid, information, usually, though not always, making it clear that they had in mind the filing of current or future prices. Five associations stated that they would develop a program of trade statistics; nine, of uniform accounting, cost studies or statistics; and eight, of credit control. Two associations stated that they would allocate sales territories, and two, that they would develop cooperative selling. Among associations in the distributing trades, seven indicated that they would attempt to develop a program to assure fair price differentials for their members, and three that they would take steps to curb "loss-leader" selling.

Little significance can be attached to an industrial distribution of associations indicating that they would adopt some form of price or production control, in view of the relatively large number of associations that failed to reply to the question. The associations that did reply in this manner for the most part were groups of manufacturers and wholesalers. Among the manufacturers nearly every industry was represented, there being an apparent concentration, however, in the food, paper, textile and apparel, and iron and steel industries.

Other activities mentioned, which were not tied to a price or production control program, were the fostering of goodwill among the members (two associations), the elimination of design piracy (two associations), patent cross-licensing (one association), cooperative

buying (two associations), and the enforcement of quality grading, standardization, and simplification (seven associations). Of the seven groups that mentioned grading, standardization, or simplification, one, however, stated that the measure was necessary to effective price control.

Several of the 202 associations took the opportunity offered by this question to suggest governmental activities that would be helpful to their industries. Among those mentioned were the following:

<i>Suggestions</i>	<i>Number of associations</i>
Curb mass buying power (principally as exercised by large retailers)-----	7
Establish minimum wages and/or maximum hours-----	6
Enforce the Robinson-Patman Act-----	5
Encourage the extension of union control-----	4
Alter Government's purchasing policy to require purchases through local dealers-----	2
Establish maximum prices on goods purchased-----	2
Make trade association membership and support compulsory-----	2
Prevent mergers and more vigorously combat monopoly-----	2
Alter the laws to give trade associations the same freedom as "cooperatives"-----	1
Eliminate State trade barriers-----	1
Prevent misleading advertising-----	1
Require full publicity of sellers' price policies to all buyers-----	1

Inasmuch as this question was not specifically asked, these figures cannot, of course, be taken as indicative of the relative force of various desires for governmental activity in this connection.

Thirty-six associations, while not indicating additional activities in which they would engage were there no legal limitations or areas of doubt, stated that public policy with respect to trade association activity needed clarification. Although the precise points at which clarification was needed were not specified, there was general agreement concerning what the legal areas of doubt were. According to their statements, it is in the collection and dissemination of trade, price, and cost information, and in the establishment of uniform terms and conditions of sale, that this uncertainty principally exists. Such uncertainty, it was asserted, leads to unintentional mistakes which are later charged up as deliberate attempts at evasion of existing law and prevents prospective members from joining an association and participating in and enjoying the benefits of constructive, cooperative effort. The solution commonly advanced for the difficulty was the empowering of an agency of the Government to render temporary constructions or advisory opinions on programs proposed for adoption.

Approximately 63 percent of the 648 associations replying stated that they would engage in no additional activities "if there were no legal limitations or areas of doubt." In other words, it was the view of these groups that present public policy toward trade associations, as they construed it, did not interfere with the development of any activity that might significantly benefit their membership. In interpreting this figure it should be kept in mind that several hundred associations for one reason or another failed to give any answer to the question.

Another question designed to afford trade associations an opportunity to reflect their attitude toward public policy was the following:

What activities engaged in by some associations do you feel are contrary to the public interest? (Association names unnecessary).

Sixty-nine associations answered the question. A few others addressed responses to irrelevant matters. The remainder either failed to reply or stated that they knew of no activities of this character. Of the 69 associations that answered the question, 30 mentioned such ordinary trade restraints as price fixing, production control, and similar practices that have been widely condemned under existing law. Twelve mentioned racketeering, and eight, collusion with labor unions to monopolize a trade. Eight condemned sales promotion and public relations programs that resulted in the issuance to the public of misleading information. Five mentioned antilabor activities, two referring specifically to the use of labor spies. Six referred to lobbying activities, one to the repression of inventions, one to a cooperative licensing arrangement, and one to a program of opposition to the conservation of a natural resource.

ACTIONS OF THE FEDERAL TRADE COMMISSION AND THE DEPARTMENT OF JUSTICE AGAINST TRADE ASSOCIATIONS AND OTHER GROUPS

The remainder of this chapter will present an analysis of those activities of trade associations and other groups of businessmen which the Department of Justice and the Federal Trade Commission have held to be in restraint of trade. These cases arise from alleged violations of the Sherman Antitrust Act and the Federal Trade Commission Act.

Actions by the Department of Justice are of two types—civil actions (hereinafter referred to as “petitions”) for an injunction to prevent the occurrence of certain activities in the future; and criminal prosecutions, usually initiated by an indictment of a grand jury (hereinafter referred to as “indictments”). A petition, if successful, results in a court decree prohibiting certain acts, and the violation of such decree is punishable by the judge as a contempt of court. If the trial results in a verdict of guilty, an indictment brings a conviction and a sentence of fine or imprisonment. The formal proceedings of the Federal Trade Commission are initiated by the issuance of a document, called a “complaint,” which charges respondent parties with specified violations of the law. An open hearing is scheduled, at which the respondents are given an opportunity to present their defense. After the trial examiner’s report and further opportunity for oral argument and briefs, the Commission makes its findings of fact and conclusion. An appropriate order is thereupon entered, either dismissing the case or ordering the respondents to cease and desist from certain enumerated practices and activities. After a cease and desist order has been entered, the Commission may apply to the appropriate United States circuit court of appeals for an order of enforcement. A respondent who feels aggrieved by a cease and desist order may apply to the court to have the order vacated or modified.

This survey was limited to the post-N. R. A. period, June 1, 1935, to October 1, 1939. It covers not only cases that arose during this interval but also cases originating previously that were decided subsequent to June 1, 1935.¹¹ Included are 93 Federal Trade Commission complaints and 32 Department of Justice actions, the latter

¹¹ 27 of the cases included were instituted before the termination of the N. R. A. The remaining cases were rather evenly distributed throughout the period.

consisting of 18 indictments and 14 petitions. Ninety-two of the total of 125 cases implicated trade associations; the respondent groups in the remaining 33 cases were not formally organized.

Although complaints, petitions, and indictments do not all constitute adjudicated cases, in that they have not all reached the stage of final order by the Commission or a court, they have been used as the basis of the present analysis for several reasons. In 35 of the 52 cases in which cease and desist orders were handed down by the Federal Trade Commission during this period, there was no contest by the respondents. In these cases the findings of fact and order merely repeated the substance of the charges in the complaint, which "for the purposes of this proceeding" were admitted by the respondents. In the contested cases, the cease and desist orders were unsatisfactory as source material, because they often were so generalized or abbreviated as to give little indication of the program of the respondent groups. Most of the final decisions resulting from the proceedings of the Department of Justice contained even less information concerning the nature of the respondents' activity. The issuance of complaints, petitions, and indictments is not the result of hasty action. They are issued only after investigation shows that the case has merit. None of the cases was dismissed for failure to sustain the charges. Finally, it is the complaints, petitions, and indictments that indicate what the operating agencies of the Government consider objectionable in relation to the statutory policy of the Congress. In this respect they indicate what the Government does not want done rather than a fully authenticated record of the illegal activities carried on by trade associations.

Table 47 shows the status and disposition of the cases under consideration. Forty-eight of the one hundred and twenty-five cases were pending as of October 1, 1939. Of the 93 complaints issued by the Federal Trade Commission, 33 were pending at that time. Eight cases were closed or dismissed by the Commission without a finding or an order against the respondents. One of these cases was closed by removal to the Department of Justice for criminal action; proceedings were dismissed in the other cases because of the disbandment of the respondent trade associations, because it developed that the activities had Government sanction and approval, because of consolidation with other cases, or for reasons not indicated. The Commission handed down 52 cease and desist orders during this period. Thirty-five of the complaints in these cases were not contested. In some of the 17 contested cases charges against some of the respondents were dismissed, and in others the findings of fact and conclusions were generalized, abbreviated, or reduced to include only a part of the original charges. Respondents in 2 cases involving boycotts to prevent design "piracy" appealed the order of the Commission, contending that their programs were not an unreasonable restraint of trade.¹² As of October 1, 1939, the Commission's orders in 2 other cases were pending on appeal by the respondents.¹³ One of the orders of the Commission was modified by the court on jurisdictional grounds.¹⁴

¹² Docket 2760, *Fashion Originators Guild of America, Inc.*; and docket 2812, *Millinery Quality Guild, Inc.*

¹³ Docket 2898, *California Lumbermen's Council*; and docket 3134, *Hershey Chocolate Co.*

¹⁴ Docket 3090, *The California Rice Industry*.

Of the 32 proceedings instituted by the Department of Justice, 15 were pending in the court of original jurisdiction as of October 1, 1939. Of the others, injunctions or consent decrees were obtained in 8 cases, and in 6 cases 1 or more criminal convictions were obtained. Three cases were closed.¹⁵ The case involving the *American Medical Association* was closed because the court of original jurisdiction held that the defendants were not engaged in trade within the meaning of the Sherman Antitrust Act. It was pending in October 1939 in the District of Columbia Court of Appeals as the result of an appeal by the Government. Another case pending on appeal was that of the *Standard Oil Company (Indiana) et al.* (indictment, No. 11365). The original decree in the case of the *Sugar Institute* was modified by the United States Supreme Court.¹⁶

Analysis of the 125 cases that have been acted upon by the Federal Trade Commission and the Department of Justice since the N. R. A. is significant primarily as it reveals the objectives of and methods of action employed in programs that have been held by these agencies to be in restraint of trade. It does not show that of a total of some 1,500 national and regional trade associations 125 have engaged in illegal restraint of trade since the N. R. A. As has been pointed out, nearly half of these cases were pending as of the time of this review, and it is possible that the charges in some of these cases will not be sustained. As has also been pointed out, some of these cases implicated informal groups that were not organized in trade associations, and some of the trade associations that were cited are State or local in membership scope. On the other hand, it should be recognized that the cases instituted by these agencies may not cover all the illegal restraints that arose among national and regional associations during this period. Limitations of time and personnel limit the number of cases that these agencies can investigate and bring to the stage of formal proceeding. Thus, a considerably larger number of cases would have been included in the present review had it extended beyond October 1, 1939, since it would have reflected the recent program of the Government against restraints in the building industry.

The objectives of the programs complained of frequently were not defined in the legal proceedings instituted. Complaint was directed against various activities and practices which, it was alleged, tended toward monopoly and restraint of trade. Analysis of these activities and practices, however, reveals several basic objectives. The elimination or minimizing of price competition constituted the chief aim of business groups cited for illegal activity. This was the major objective revealed in 85 of the 125 cases. Such programs divide themselves into two categories. The activities complained of in 60 of the cases were designed to eliminate price competition between the members of the respondent group. In the remaining cases the respondent groups were charged with having attempted to control the price competition, not only of the members of the group, but also of competitors outside the group. The second principal objective, which appeared in 38 of the cases, may be characterized as the "elimination of competitors." As it appears in the cases under consideration, this objective also may be subdivided into two parts. The larger subdivision

¹⁵ *National Dairy Products Corporation et al.*; *United Theatres, Inc., et al.*; and *American Medical Association et al.*

¹⁶ See ch. IV, below.

includes cases in which an attempt was made to control the market through the elimination of similarly situated competitors. The other form of the struggle for control of the market was a struggle for the preservation of a distribution function threatened with diminution or extinction; in a majority of these cases such programs represented efforts of middlemen to prevent themselves from being short-circuited by manufacturers selling directly to retailers or consumers. A third category of objectives has been distinguished to fit two cases in which the principal purpose of the respondents appeared to be that of preventing the "piracy" of designs and styles through the use of boycott and other forms of economic pressure. A tabulation of the objectives shows the following distribution:

<i>Major objective:</i>	<i>Number of cases</i>
Total	125
Elimination of price competition.....	85
Among respondents.....	60
Among respondents and others.....	25
Elimination of competitors.....	38
Involving control of distribution channels.....	14
Not involving control of distribution channels.....	24
Elimination of design "piracy".....	2

According to table 48, of the 125 cases there were 92 that listed among the respondents one or more trade associations. Of these 92 cases, each of 35 involved 1 incorporated association, each of 26, 1 unincorporated association, and each of 25 more than 1 association: corporate status was not indicated in 6 of the 92 cases. Thirty-three of the cases implicated combinations of businessmen having no continuing or formal administrative agency. Although table 48 is not conclusive concerning the relation between the form of the respondent groups and their objectives, it indicates that respondent unincorporated associations and informal groups relatively more often concerned themselves with programs to eliminate price competition than did incorporated associations; and, on the other hand, that incorporated associations relatively more often entered into programs involving the elimination of competitors outside the group, particularly in programs to secure or maintain control over channels of distribution.

Table 49 presents a tabulation of the cases by type of industry and major objective. In 72 of these cases manufacturers were the principal respondents, and of the 72 all but 8 were price-control cases. These cases were rather evenly distributed among the various manufacturing industries. Sponsors of programs designed to eliminate competitors, on the other hand, were concentrated in the field of wholesaling and retailing, although there were 3 such cases in the field of personal, business, and professional services.¹⁷

¹⁷ The records do not permit a precise comparison between the character of the program of the respondent groups and the extent of their industry or trade coverage. In 20 percent of the cases the complaints were silent on the question of the respondents' coverage, while an additional 40 percent of the cases merely represented that the respondents covered a "substantial" or "dominant" portion of the industry or trade. Of the remaining cases, constituting 40 percent of the total, there were none in which it was alleged that respondents coverage, in terms of volume, was less than 50 percent of the industry. In 70 percent of these cases the respondent groups were alleged to represent 80 percent or more of their industry. In nearly all the cases in which the alleged objective was the elimination of price competition it was stated that the respondent groups either represented 80 percent or more of their industry or enjoyed a "substantial" or "dominant" position in the industry. The coverage of the respondent groups was referred to in relatively few of the cases in which the alleged objective was the elimination of competitors.

As may be seen in table 50, most of the cases have dealt with the activities of associations that are national and regional in scope, although approximately 27 percent of the cases were brought against State and local groups; 72 of the 92 national and regional groups were primarily interested in price control, whereas 20 of the 33 State and local groups were primarily concerned with the elimination of competitors.

Elimination of price competition.

The majority of the respondent groups had as their primary objective the elimination or minimizing of price competition between their members and, in some instances, the control of the price policies of competitors outside the group as well. A number of methods were employed by the respondent groups in these programs, as is indicated in table 51, which shows the frequency with which the principal methods were cited in the charges of the Federal Trade Commission and the Department of Justice. These methods, in most of the cases, were direct restrictions on price and on the terms and conditions that supplement and modify the price. Such restrictions were frequently accompanied by the publicity devices of price filing and trade statistics and in some instances by product standardization and simplification. Production control was cited in relatively few instances, either as a principal device for achieving price stability or as a supplement to direct restrictions on price. Cited as often was the allocation of buyers and sales territories. The buying out of stocks of goods the sale of which was likely to constitute a threat to the price control measures figured in a few cases.

As will be indicated in the paragraphs that follow, interpretation of the figures appearing in table 51 must be approached with caution. The precise significance or role as well as the character of the various methods cited in the charges frequently were not revealed. The complaints varied considerably in explicitness, what may have been described in detail as a method of control in one case being merely referred to in a word in other cases or possibly not mentioned at all.

Price agreements.—The method of price control most frequently cited in the cases was agreement, conspiracy, or understanding to fix, maintain, or establish prices.¹⁸ Such a charge, which appeared in 78 of the 85 cases, seemingly was included almost as a matter of routine. Many of the charges failed to set forth the evidence of agreement which the Government had found. Agreement on price evidently was often inferred from subsidiary aspects of the program, such as the maintenance of a system of basing points or price zones, restrictions on discounts and other terms and conditions of sale, and the filing and dissemination of future prices. The fact that the prices or bids of the respondents were consistently uniform over a period of time appears to have been the principal basis for the charge of agreement in other instances. The specific meaning of the term "price," or "prices," was seldom indicated in the cases that charged agreement. The ambiguity of the term is particularly evident in cases involving manufacturers and other groups of producers whose prices ordinarily

¹⁸ Although there was no case in which agreement on prices paid constituted the only charge, there were a few cases in which agreement on buying as well as selling prices was complained of. The establishment of uniform buying prices, terms, and conditions of sale was the principal complaint of the Federal Trade Commission in the case of the *National Cottonseed Products Association*, docket 2190, May 31, 1934.

are a composite of a number of elements among which the basic, or "list," price is only one. There were only 10 cases in which agreements on "list" prices as such were separately mentioned. In every instance these agreements were accompanied by restrictions on various terms and conditions of sale, there being no case in which agreement on "list" prices was the sole object of the complaint.¹⁹

Of the 78 cases there were only 14 in which the alleged price agreement was unaccompanied by the charge that restrictions had been placed on discounts, delivery terms, or other conditions and terms of sale. Six of these cases involved wholesalers or retailers, whose programs it is quite possible did not extend to such price elements because they had little or no transactional importance. In 8 cases, on the other hand, the respondents were manufacturers. It is perhaps more reasonable to assume that in these cases the term "prices" was used in the charges to encompass subsidiary price restrictions than that respondents' programs did not include such restrictions.

One searches the cases almost in vain for references to cost bases for the prices that the respondents were alleged to have agreed upon. Reference is made at a later point in this chapter to two cases in which the respondents were charged with having established differentials for the finishing or extra-processing of their products that were arbitrary in nature, despite assertions that they were based on the costs of the members. In another case the Federal Trade Commission charged an association of manufacturers with having misrepresented the Commission's trade practice conference rule condemning sales below cost "with the intent and with the effect of injuring a competitor and where the effect may be to substantially lessen competition or tend to create a monopoly or to unreasonably restrain trade" to create uniform minimum prices and maximum discounts.²⁰

One method of controlling prices encountered in the cases surveyed was the patterning by the members of a group of their actions after those of one member or of a small clique that characteristically pursued a similar policy. In four cases the role of particular respondents was sufficiently delineated to produce from the general charge of agreement a picture of one or a few respondents acting as price leaders and the others agreeing to follow their leadership. The most explicit of these statements of price leadership is contained in the charge of the Federal Trade Commission against the power cable and wire producing members of *National Electrical Manufacturers Association* (docket 2565, Sept. 26, 1935). It was charged by the Commission that:

Respondent manufacturers of impregnated power cable, of varnished cambric cable, of parkway cable, and of rubber power cable, respectively, have con-

¹⁹ The generality of the charge of price agreement is illustrated by the case of the *Butter Tub Manufacturers Council* (docket 2650, Dec. 10, 1935), in which six manufacturers of wooden butter tubs, together with their trade association and its commissioner, were charged with "agreeing to fix uniform prices, terms and discounts at which said butter tubs are to be sold and * * * coopting with each other in the enforcement and maintenance of said fixed prices, terms and discounts by exchanging information through said respondent association as to prices, terms and discounts at which said corporate respondents have sold, and are offering to sell, said butter tubs." Mention was made of monthly meetings of the association, at which "said respondent corporations discuss trade and competitive conditions in the Butter Tub Industry and agree upon and establish trade policies"; and the commissioner was charged with collecting and disseminating statistical information "in pursuance of and furtherance of the object and aims of said respondent association."

²⁰ *Covered Button and Buckle Creators, Inc.*, docket 3186, July 24, 1937.

certainly adopted and maintained fixed and uniform selling prices on said commodities, under the leadership of and in cooperation with respondents the Okonite Co., the General Electric Co., and the Hablirshaw Cable & Wire Corporation. The last named respondents compiled, printed, and circulated among the other respondent manufacturers of said commodities exceedingly complex and detailed price lists, offering and assuring such other respondent manufacturers, their competitors, that if the latter would not quote and sell at less than the list prices of the respective compilers, then said compilers would maintain the prices in their respective lists and would immediately notify their said competitors of all proposed changes in price or in the methods of calculating same. Acting upon said offers and assurances respondent manufacturers of said commodities systematically prepared, circulated, exchanged, adopted, and used, the price lists so compiled as the amount to be quoted to and obtained from their customers, for the purpose and with the effect of avoiding and suppressing price competition among all of respondent manufacturers of said commodities.²¹

As has previously been indicated, there were only 7 of the 85 price control cases in which agreement on prices was not alleged. In 4 of these 8 cases, however, the respondents were charged with having entered into cooperative selling or licensing arrangements, which in substance amounted to agreements. Of the other 3 cases, respondents in 1, who were members of a sponge exchange, were charged with having agreed to cease purchases and sales for a specified period of time for the purpose of enhancing prices (*Tarpon Springs Sponge Exchange, Inc.*, F. T. C., docket 3024, Dec. 29, 1936). In another case a group of paper manufacturers were charged with having assigned production quotas to enhance prices (*Kraft Paper Association et al.*, Department of Justice, indictment, July 20, 1939). In the third case the respondents subsequent to the N. R. A. allegedly had continued to comply with the price filing provisions of their N. R. A. code, which action resulted in "uniform" and "artificial" prices. (*Card Clothing Manufacturers' Association*, F. T. C., docket 3019, Dec. 23, 1936.)

Cooperative selling and licensing.—A fully developed example of cooperative selling is the case of *Appalachian Coals, Inc.* The United States Supreme Court held in 1933 that the combination of soft coal producers was acting in response to emergency conditions and was not in unreasonable restraint of trade.

An example of a recent action against a cooperative selling arrangement is that of the *Imperial Wood Stick Company, Inc.*, et al. (Department of Justice, complaint, June 5, 1939). This company, which was organized about January 1, 1933, was the selling agent for manufacturers of candy sticks and related products and encompassed more than 70 percent of total production. The stock of Imperial was prorated among the individual defendants according to their individual proportion of total sales. Production quotas based on the individual members' percentages of total sales were established, and prices were determined from time to time by Imperial. The officials of the company had access to all the records of the six members to determine adherence to the program and to ascertain the extent of inventories, production, and shipments. The agency was ordered dissolved by a consent decree, June 6, 1939.

Another example is revealed in the Federal Trade Commission's complaint against the *Hardwood Charcoal Company* (docket 3670,

²¹ Other cases in which agreement to follow the policies of certain of the respondents figured in the charges are the *Heat Exchange Institute*, F. T. C., docket 2941, Oct. 9, 1936; *Socoyn Vacuum Oil Company, Inc.*, et al., Department of Justice, indictment, 11364, Dec. 22, 1936; and *Standard Oil Company (Indiana) et al.*, Department of Justice, indictment, 11365, Dec. 22, 1936.

Dec. 20, 1938). Almost three-quarters of the total production of hardwood charcoal was sold by the Hardwood Co., exclusive sales agent for three producers, the Manufacturers Charcoal Co., exclusive sales agent for 15 other producers, and by two independent producers. The two sales agencies, their members, and the two independents were charged with a combination to fix prices and otherwise restrain trade in hardwood charcoal. The Commission alleged that three producers had eliminated competition among themselves when in 1932 they formed and signed exclusive sales contracts with the Hardwood Co., and that the same effect had been secured by 15 other producers with the formation of the Manufacturers Co. The two common sales agencies formed an agreement between themselves, and into this agreement entered two independents. Thus a total of 20 producers pursued a uniform course acting through two sales agencies and two cooperating independents.²²

The American Society of Composers, Authors, and Publishers is an organization which, it was alleged, combined cooperative licensing with the copyright laws to extort high prices for the music of their members (*American Society of Composers, Authors, and Publishers, Music Publishers Protective Association, Music Dealers Service, Inc., et al.*—Department of Justice, Petition, Aug. 30, 1934). The "society," an unincorporated association composed of authors, composers, and publishers, was organized in 1914 to grant licenses and collect royalties for its members and to accumulate and maintain a reserve fund to carry out its various objects. At the time of the petition it consisted of approximately 97 publishers and 969 composers and authors, and included the owners of nearly all the important, copyrighted, popular music in the United States. Each member gave to the society the exclusive right to license the nondramatic, public performance of all his works. While designed to protect members from copyright infringement, the society, according to the Department of Justice, used its power to demand unreasonable royalties. Since the advent of the radio the society's most profitable business has come from the granting of licenses to broadcasting stations. In 1932 the society announced a system whereby only general licenses covering all musical compositions of all its members would be issued to broadcasting stations and made the royalty therefor equal to 5 percent of the gross income of the radio station, regardless of source of income, this to be in addition to the annual royalty theretofore paid. This represented an increase of approximately 400 percent in royalty payments. The general-license arrangement as actually made effective provided for the computation of royalties on the basis of the net income of the broadcasting station. Broadcasting stations owned by newspapers were granted somewhat more favorable terms than stations not thus owned. Licenses included a clause that made it possible for a copyright owner through the society to withdraw or charge extra for popular pieces. By the joint action of copyright owners, competition in selling licenses to broadcasters had been eliminated, according to the petition, and the use of blanket licenses, for which a fixed charge was made regardless of the number of pieces played, resulted in programs being limited

²² Another case in which it was charged that a selling agent was employed to fix prices involved a sea-food exchange—*Biloxi Oyster Exchange, F. T. C.*, docket 3099, Apr. 7, 1937. His case was closed by the Commission because of the dissolution of the exchange.

to music controlled by the society, to the exclusion and detriment of independents. After 5 years this case was still pending as of October 1, 1939.

Resale price maintenance.—Efforts to maintain resale prices were alleged in 40 of the 85 price control cases. In 26 of these cases groups of manufacturers were charged with having established schedules of prices which wholesalers or retailers were required to observe—under threat of concerted boycott—in reselling. This charge is illustrated in the instance of the *United Fence Manufacturers Association* (docket 3305, Jan. 18, 1938), wherein the Federal Trade Commission among other things charged that:

Respondents have taken concerted steps to maintain the resale prices, made by distributors, at list price less 10 percent, and to maintain the resale prices, of dealers to the public, at list price; each class of said resale prices to be without concession and to operate throughout the said 14 States.

Respondents request and urge distributors and dealers to report instances of price cutting in the distribution of snow fence products with the name of vendor and vendee, the prices and terms offered or charged, and the name of the producer. And respondents have at times succeeded in obtaining such reports.

Producer-members have entered into and maintain an understanding that they will not sell to distributors or dealers who quote and charge prices below the prices required by respondents, or to those who make better terms and conditions than are authorized by respondents.

The precise function of manufacturers' efforts to maintain resale prices was not indicated in these cases, but it may reasonably be assumed that they constituted an integral part of their own program to minimize price competition. In every one of these cases the alleged resale price maintenance was accompanied by the charge of price agreement. Price cutting by wholesalers or retailers always represents a threat to manufacturers' efforts to achieve price stability, particularly where some or all of the manufacturers also sell directly to retailers in competition with wholesalers, or to consumers in competition with retailers. In two cases groups of wholesalers—one, distributors of milk, and the other, distributors of nitrate of soda—similarly were charged with having prescribed schedules of minimum prices which they required their customers to observe on resales.

The remaining 12 cases involved agreements of groups of wholesalers or retailers, or groups with both wholesaler and retailer members, to observe manufacturers' resale price schedules. Defendants in 5 of these cases were wholesalers of automotive parts. They were charged not only with having agreed to maintain the manufacturers' suggested prices but also with having required their customer-retailers to maintain list prices. Most of the remaining cases dealt with the distribution of alcoholic beverages. Wholesale liquor distributors and metropolitan retail liquor stores in various regions banded together to eliminate price competition and, in so doing, enlisted the assistance of various individual manufacturers, who were cited among the respondents.²³

Processing and product differentials.—Along with the charge of conspiracy to fix or maintain prices respondent groups in five cases were alleged to have established differentials to govern the pricing of

²³ As a result of the Miller-Tydings amendment to the Federal Trade Commission Act, the Federal Trade Commission has had to drop charges against several wholesale and retail liquor dealers associations, as well as against the respondent manufacturers, except with respect to sales in the District of Columbia.

various types, sizes, or grades of products. Two of these cases involved processing differentials. In one of the cases it was alleged that uniform finishing differentials were adopted and maintained without regard to the actual cost of operations to the individual respondents (*Book Paper Manufacturers Association*, F. T. C., docket 3760, Apr. 13, 1939); in the other case it was charged that through an "Industry Estimating Manual" the association had prescribed, and the members had agreed upon:

(a) predetermined prices to be charged for the performance of certain operations in the manufacture of shipping containers, (b) predetermined prices to be charged for certain classes and types of materials commonly used in the manufacture of shipping containers, and (c) predetermined prices to be charged for delivery * * *

and that these—

so-called differentials did not represent actual costs of any member, but were arbitrary amounts fixed and agreed upon as aforesaid (*National Container Association et al.*, Department of Justice, Indictment, Aug. 9, 1939).

The case of the *Metal Window Institute* (F. T. C., docket 2978, Nov. 11, 1936) illustrates the use of the so-called base-price list in connection with discount schedules. In this case the Federal Trade Commission found that:

Prior to the formation of these associations, certain of the corporate respondents compiled, and acting through these associations the corporate respondents have from time to time revised, a comprehensive and detailed gross or basic price book which gives the price, or the formula by which such price may be determined, for substantially all of the products of the metal window industry. This price book is revised or supplemented from time to time to meet changing conditions in the trade, and to include new products, and is distributed generally throughout the industry and is used in determining the gross or basic prices of said products. The prices stated in said book, or the prices arrived at by the application of the formulas stated, are uniform as to any given product in each price book so used for the determination of gross or basic prices. The actual sale price of a given product is determined by the corporate respondents, and other members of the industry, through the application of discounts to the gross or basic price shown in said price book, or determined by the application of the formula therein given. * * *

(1) Said corporate respondents agreed to use, and they have used, said gross or basic price book in pricing the products of the industry.

(2) Each of said corporate respondents (a) agreed to file, and they have filed, with the respondent association a schedule of the discounts from the prices established by the gross or basic price book at which it would sell, and has sold, its products; (b) agreed that it would not change, or deviate from, the prices established by such discounts without first notifying the other corporate respondents of such a change at a specified period of time prior to the effective date of the change in prices; and (c) agreed that the respondent association could convey, and it has conveyed, to all other members the information contained in said schedule of discounts so filed.

(3) Said corporate respondents agreed to maintain and adhere to, and they have maintained and adhered to a schedule of uniform discounts to be applied to the prices determined from the use of said gross or basic price book, the effect of which has been to establish fixed uniform minimum prices for the products of the industry.

(4) Said corporate respondents agreed to fix, and they have fixed uniform terms and conditions that were a part of all sales made, including, among other things, mandatory erection, time for delivery, and allowance for freight.

(5) Said corporate respondents agreed that they would not sell, and they have not sold, the products of the industry for less than the uniform minimum prices established through the use of said uniform discounts without giving prior notice to each other of the fact that a sale was to be made at less than the minimum price agreed upon.

It was further found in this case that the respondents had agreed to submit all estimates of bids to so-called clearing bureaus, located in various areas, for the purpose of securing identical estimates.²⁴

Restrictions on trade and quantity discounts and customer classification.—Figuring most prominently among the subsidiary elements of the price control programs were restrictions on trade and quantity discounts and customer classifications. Table 51 reveals that of the total of 85 cases there were 51 in which the Government charged the respondent groups with having limited in some manner members' policy with respect to these elements of price policies.²⁵ All these cases also included charges of price agreement, conspiracy, or understanding. The type of restriction placed on the use of discounts usually was not specified in the complaints, although in some instances it was stated that maximum discounts had been agreed upon while in others the granting of discounts had been prohibited. The importance in these programs of restrictions on what are ordinarily thought of as trade discounts is indicated by the fact that of the 51 cases there were 20 in which the respondents were charged with having classified their customers for discount purposes. These customer classifications almost invariably involved the definition of classes of customers to whom members were restricted in selling. The requirement that members file with the association the names of their customers or a record of each of their transactions accompanied these limitations in a number of instances.

Among industries in which the basic, or list, prices are largely standardized by custom, discounts usually represent a strategic price determinant. This is particularly true in the apparel trades where many articles are commonly sold by manufacturers according to several classes of uniformly recognized list prices. In three cases, still pending as of October 1, 1939, the Department of Justice alleged that groups of dress manufacturers had agreed to maintain the list prices, eliminating all "reductions, discounts, and allowances" from the list prices with the exception of a specified cash discount. The effect of such a conspiracy, it was alleged, was:

to require the purchasing public to pay large sums in excess of what it would otherwise have been required to pay.²⁶

One of the most drastic programs was that of the Sugar Institute, which prohibited the use of quantity discounts and required, on threat of boycott, distributors who combined, as was common, more than one of the functions of brokerage, warehousing, and wholesaling to limit themselves to one of the functions only. This separation of functions was imposed, with considerable distress to the distributing trade, to safeguard the associations price control measures against indirect concessions that assumed such forms as the granting of brok-

²⁴ Of the two other cases falling in this classification it was charged in one that the respondents had agreed on identical bids on "extras" required for installation—*The Heat Exchange Institute*, F. T. C., docket 2941, Oct. 9, 1936; and in the other, that the respondent manufacturers of cable and wire had adopted uniform methods for calculating prices on goods that varied from the uniform grades and specifications—*National Electrical Manufacturers Association*, F. T. C., docket 2565, Sept. 26, 1935.

²⁵ There were several of these cases in which it was not possible to determine definitely from the complaint that the "discounts" referred to were for trade status or quantity purchases. Inasmuch, however, as the complaints in these cases also charged the respondents with limiting terms of sale it was assumed that it was a trade or quantity rather than cash discount which the Government had in mind.

²⁶ Petitions, dated August 13, 1934, against the *Dress Creators League of America, Inc.*, the *Party Dress Guild, Inc.*, and the *Half-Size Dress Guild, Inc.*

erage to warehousemen or wholesalers and the payment of warehouse rent to brokers.²⁷

Another example is afforded by the case of the *Cement Institute* (F. T. C., docket 3167, July 2, 1937), in which, in addition to fostering a system of delivered prices, respondents were charged with having classified customers and adopted uniform discounts for each class. According to the Federal Trade Commission:

Before and during the period that the code of fair competition for the cement industry approved November 27, 1933, pursuant to the National Industrial Recovery Act, was in effect, respondents attempted to obtain approval of a code provision which would require a division of customers into two classes, those to whom cement producers might sell direct and those to whom cement producers would be prohibited from selling direct. These efforts were unsuccessful. Nevertheless, respondents arbitrarily and cooperatively made such classification and division of customers.

Respondents have entered into an understanding whereby they have combined to limit their sales to middlemen to those who fall within respondents' agreed and arbitrary definition of a "cement dealer." Moreover, respondents agree that sales shall be confined to those who fall within such definition of cement dealer with the exception of certain specific classes of customers, arbitrarily selected, who, though not recognized cement dealers, may, nevertheless, purchase cement.

Terms of sale and discounts are uniform as the result of mutual understanding and concert of action among respondents.

Although limitations on discounts and customer classifications were found chiefly in the price control programs of groups of manufacturers, there were 12 cases in which groups of wholesalers numbered among the respondents or constituted the only respondents. Thus, in cases against the *Birmingham Automotive Jobbers Association* (F. T. C., docket 2382, May 6, 1935) and the *Chattanooga Automotive Jobbers Associations* (F. T. C., docket 2661, Dec. 18, 1935) it was alleged that the respondent wholesalers had classified their customers and had:

agreed to fix from time to time, and pursuant to such agreement have fixed from time to time schedules of discounts to be allowed by them to certain classes of purchasers of automobile parts and accessories.

As a part of the alleged program of the *Pittsburgh Plate Glass Co.* (F. T. C., docket 3154, June 16, 1937) and other window glass manufacturers and distributors, acting through their respective trade associations, the Window Glass Manufacturers Association and the National Glass Distributors Association, it was charged that the respondents in conjunction classified all buyers of window glass into two previously defined categories of "quantity buyers" and "carload lot buyers." The complaint stated that:

Each of the respondent manufacturers has published a single window glass price list quoting prices to approved "quantity buyers" only and issued said price lists to such "quantity buyers" exclusively.

Respondent National Glass Distributors Association has issued price lists for window glass to "carload lot buyers" for glass to be purchased from respondent manufacturers.

Manufacturers refused to sell to any except approved "quantity buyers" and compelled "carload lot buyers" to purchase from the approved "quantity buyers," who were substantially identical with the membership of the Distributors Association. The program also involved:

²⁷ See ch. IV, p. 130 ff., for a further description of this program.

A policy and practice of requiring that all "carload lot buyers" and other buyers except those classified as "quantity buyers" be required and compelled to pay $7\frac{1}{2}$ percent more or a greater excess for window glass of the same grade and quality than the price quoted to and paid by those classified as "quantity buyers."

A policy and practice of requiring that said $7\frac{1}{2}$ percent differential be divided, $2\frac{1}{2}$ percent to the manufacturer and 5 percent to the so-called "quantity buyer."

Restrictions on geographic price policies.—Delivery terms represent another element of price policies, the control of which is of strategic importance to price control in many industries. One or more restrictions on geographic price policies were alleged in 31 of the 85 price control cases. In 6 of the 31 cases it was charged that a system of basing points had been established; in 16 cases, that some type of delivered pricing not involving the use of basing points had been agreed upon; and in 9 cases, that other restrictions had been placed on delivery terms.

The outstanding case of the use of basing points is that of the *Cement Institute* (docket 3167, July 2, 1937). According to the complaint of the Federal Trade Commission, there were within the United States approximately 60 basing points, each with its base price. The governing basing point for any destination was that point which had the lowest sum of two items—the base price and the rate of all-rail freight from the point to the destination. Prices were quoted on a delivered basis and calculated by taking the prevailing base price at the governing basing point and adding thereto the all-rail rate of freight from said point to the location of the customer. This freight charge was added regardless of the location of the manufacturer and the amount of freight actually paid. Rail rates were charged even though cheaper means of transport, such as truck, were used. Buyers either were not permitted to take delivery by truck at point of manufacture or were charged a higher price for such delivery. To further insure uniform delivered prices, steps were taken to eliminate diversions in transit, and a freight-rate bureau was established which published a manual of rail tariffs. Despite errors in the manual and changes in rate schedules approved by the Interstate Commerce Commission, the manual was used as a basis for determining freight applications until changes were announced by the bureau itself. This system, it was alleged, resulted in the submission of identical bids to public agencies and private contractors; and the Federal Government was deprived of the full benefit of land-grant rates reserved by acts of Congress. In addition, the respondents fought the importation of cement, boycotted dealers handling foreign cement, and engaged in concerted price cutting to meet this competition. The general effect of these practices, according to the Commission, was to restrain and eliminate competition, to discriminate among buyers, and artificially to increase and maintain prices.

The Federal Trade Commission in four other cases charged respondents with having agreed to employ a basing-point system. In the case of *Pine Hill Lime and Stone Company* (docket 3591, July 29, 1939), the respondents, a group of agricultural and chemical lime producers and manufacturers located in the Southeastern States, employed an agent to administer a "system of noncompetitive delivered prices that was embodied in an express agreement among them during the period that a code for the industry was in operation under the National Industrial Recovery Act." Under this system prices were

quoted on a delivered basis from a number of basing points and equaled the rail freight plus the basing-point price to destination. The basing-point prices, it was alleged, were agreed upon at meetings and then filed with the respondent agent as a formality. Schedules of freight rates from the respective basing points to various destinations were compiled and circulated by the agent, as were printed price lists showing the delivered prices at various points. Respondents cooperated with lime producers in other districts of the country by agreeing to respect the delivered prices prevailing in such territories. It was also charged that the respondent lime producers agreed to submit identical delivered prices and terms in sealed bids to public agencies. In another case (docket 3091, March 26, 1937) the *Cast Iron Soil Pipe Association* and members were charged with the use of a single-basing-point system, under which all pipe, wherever produced, in effect was sold at delivered prices arrived at by adding to the base price at Birmingham, Ala., the rate of freight to destination. Actual freight charges either were prepaid by the producers or, if shipment was sent collect, were charged by the buyers to the producers. The delivered prices were subject to trade discounts, which, it was alleged, were uniform as the result of the combination. A third case (*Chilean Nitrate Sales Corporation*, docket 3764, April 15, 1939) involved two companies engaged in the distribution of nitrate of soda, one as an importer of the Chilean product, the other as a subsidiary of a domestic manufacturer. According to the complaint of the Commission, the two companies among other reasons combined:

To establish, fix, and maintain points of distribution to be used as the bases for determining freight rates to be charged purchasers of bagged nitrate of soda as a part of the delivered price thereof.

To establish, fix, and maintain specified freight charges, to be added to or included in the prices at which distributors, dealers and consumers purchase bagged nitrate of soda for delivery at specific destinations.

It was also charged that these companies required dealers to charge farmers a specified amount for hauling bagged nitrate of soda from the nearest railroad station to their farms.²⁸

In 16 of the cases under consideration the use of a system of delivered pricing was alleged without reference to the employment of basing points. In 5 of these cases it was simply charged that the respondents had "fixed and maintained uniform delivered prices." In 7 cases it was indicated, without further explanation, that the respondents had divided the market into zones within which uniform prices were maintained. The remaining 4 cases specified in more or less detail the nature of the delivered price system which, it was alleged, respondent groups had established. In one case (*National Electrical Manufacturers Association*, docket 2565, Sept. 26, 1935) the Federal Trade Commission charged a group of manufacturers of wire and cable with having established for some products a single delivered price to be paid by all customers throughout the United States and territories; as to other products, a single delivered

²⁸ In a fourth case—*Rowe Manufacturing Company*, docket 3544, Aug. 17, 1938—the Federal Trade Commission simply alleged that the respondents, manufacturers of portable corn cribs and silos, had agreed on "common basing points" and "uniform delivered prices." In the case of the *Socony-Vacuum Oil Company, Inc., et al.*, Department of Justice, indictment, Dec. 22, 1936—it was alleged that the major oil refiners had agreed, among other things, that prices to jobbers in the Midwestern area should be quoted "only on the basis of all-rail delivered prices, f. o. b., Tulsa, Okla., irrespective of the actual origin of the gasoline or method of its transportation."

price was to be paid by all customers within each of a number of price zones. It was alleged also that the respondents had established uniform charges for the return freight on reels returned by customers, as well as uniform allowances for the return of the reels themselves. In the case of the *Southern Vitrified Pipe Association* (docket 3868, Aug. 8, 1939), the Federal Trade Commission alleged that the respondents had agreed to sell on a delivered basis only and to equalize freight "from their respective shipping points, so that the cost of their products to any given buyer when delivered from any point, would be identical at any given destination regardless of the variations in freight from different places of production and shipment." It was alleged in addition that the respondent manufacturers, despite differences in the actual weights of vitrified clay sewer pipe, had agreed on uniform weights to be used in the calculation of freight charges. In the case of the *Book Paper Manufacturers Association* (docket 3760, Apr. 13, 1939), the Commission alleged that:

Said respondent members have adopted and maintained identical zoning systems by means of which the United States is divided into four zones, and have established and maintained, and do now establish and maintain, by agreement with each other, fixed uniform delivered prices for book, coated, and similar papers in Zone 1, which said prices are designated as "Base Prices" and are increased by 20 cents in Zone 2, 40 cents in Zone 3 and 60 cents in Zone 4, so that the price of book, coated, and similar papers is the same to all purchasers located in each respective zone regardless of the location in the particular zone of the purchaser, and regardless of the location of the particular respondent member making said sale to said purchaser.²⁹

Finally, there were eight cases in which the Government simply charged without further explanation that the respondent groups had established uniform freight allowances or applications as a part of their program to fix and maintain prices.³⁰

Terms and other conditions of sale.—In addition to quantity discounts and delivery terms, many terms and conditions of sale were cited as having been restricted as a result of the efforts of trade associations and other groups to achieve price stability through price control. Such restrictions were alleged in 35 of the 85 price control cases. In every case the charge of agreement with respect to these terms and conditions of sale was accompanied by a general charge of price agreement on conspiracy. In 13 of these cases the complaint merely indicated that restrictions on "terms of sale," or "terms and conditions of sale," had figured in the programs of the respondent groups. In the other cases one or more practices were mentioned, often, however, together with such general, descriptive designations as "terms of sale," "allowances," and "uniform contract forms." Among these, in the approximate order of the frequency with which they appeared, were cash discounts and other credit practices, brokerage fees, accepting returned goods, allowances of several specified types, split commissions, price guarantees and long-term contracts, consignment selling, performance guarantees, odd-lot shipments, mini-

²⁹ A fourth group cited as having employed a system of delivered prices was the Sugar Institute—see ch. IV, below, pp. 125–127.

³⁰ One other case—*National Cottonseed Products Association*, F.T.C., docket 2190, May 31, 1934—is unique in that the respondents were charged with having agreed on the delivery terms with respect to transactions with their suppliers—that prices should be made on the basis of f. o. b. shipping point; the terms and circumstances under which seed might be hauled by respondents from seed sellers also were agreed upon; and deductions for l. c. l. purchases were established.

num carload specifications, trade-in allowances, sale of seconds, and samples. Inasmuch as the Federal Trade Commission frequently listed various restricted practices with the qualification "including but without limitation," the above itemization no doubt incompletely reflects the variety of terms and conditions of sale that were limited in the programs complained of.

Price filing and price statistics.—The collection and dissemination of price information was cited in 32 of the 85 price-control cases. In 23 of the cases the filing of current or future prices was alleged; of these the use of a waiting period between the time of filing and the time the filed prices became effective was clearly indicated in only a few cases. In 4 of the 32 cases the collection and dissemination of information on past prices only was cited; and in the case of the remaining 5 cases it was not clear from the text whether the reference was to past or current prices. There were few cases of clearly defined bid filing arrangements; in controlling bids the Government simply charged that members agreed on the amount of the bids to be submitted on given jobs.

The collection and dissemination of price information as cited in the cases was confined almost entirely to groups of manufacturers. In only two cases, one involving a local group of coal merchants, the other a local group of automotive jobbers, were groups other than manufacturers complained of for such activity. Thus, in 30 of 64 cases against groups of manufacturers the exchange of price information was cited among the methods employed to achieve price control. With one exception these charges were accompanied by the general charge of agreement to fix and maintain prices.³¹

The role that price publicity was alleged to have played in respondents' price control programs was not always made clear. Respondents were charged with carrying on activities in restraint of trade. It was then asserted that an open price system was being operated, but little or no tie-up was made between the open price system and the restraint-of-trade charge. Presumably, however, what was primarily in mind was the use of price publicity to police the price agreement or understanding, although the agreement to abide by filed prices in itself evidently was deemed to be a restraint of trade. The complaint

³¹ In the case of *Card Clothing Manufacturers Association*, F. T. C., docket 3019, December 23, 1936, the complaint of the Government was limited to the charge that the respondent manufacturers had agreed to continue to comply with the price filing provisions of their N. R. A. code following the Schechter decision. This case was still pending in October 1939.

One of the most comprehensive systems of price publicity complained of by the Federal Trade Commission covered buying rather than selling prices (*National Cottonseed Products Association*, docket 2190, May 31, 1934). Although the Commission charged in this case that the respondent national association and its various State and sectional associations and their members had "from time to time entered into agreements and understandings that they would pay certain prices for cottonseed," the principal portion of the complaint dealt with the price publicity plan. According to the Commission, the member mills under the supervision of their respective associations agreed to notify each other by telegraph or telephone of the prices "they were paying and offering to pay for cottonseed and that they would not deviate from the prices so reported without giving simultaneous and immediate notice thereof to member mills, or else would indicate in their reports that they were deviating only where necessary to meet competition." They also agreed to a system of investigation and checking either by competitors directly or through their association; and the officials of the various associations undertook to interpret the seed market to the members and to advise them of the prices that should be paid. To facilitate the plan, the various State and sectional associations systematically exchanged information on prevailing prices and practices. It was alleged also that respondent associations in the Southwestern States posted and published on various cotton exchanges the car-lot prices that terminal mills at those points were willing to pay, such prices being the result of tacit understanding and agreement rather than of individual transactions between buyers and sellers. To support their program respondents agreed on terms of payment, delivery terms, grading rules, and grade differentials to apply in their transactions with suppliers.

in the case of the *United States Maltsters Association* (F. T. C., docket 3555, Aug. 24, 1938) illustrates the generality of the usual charge. The Federal Trade Commission charged the respondents with the following activities with respect to prices:

By agreement have fixed and maintained and still fix and maintain, uniform delivered prices for malt sold by respondents named in Paragraph two hereof and by each of them;

Each of the respondents named in Paragraph two hereof agreed to file and does file with the respondent association a schedule of prices, terms, and conditions of all sales at which it will and does sell malt;

Each said respondent named in Paragraph two hereof agreed that it would not and does not deviate from the prices, terms, and conditions of sale stated in its prices filed with respondent association;

Respondent association collects from and disseminates among the respondents named in Paragraph two hereof information as to prices, terms, and conditions of sale and other information used and useful in carrying out the said agreement, combination, understanding, and conspiracy.

The acts and practices of the respondents as herein alleged are all to the prejudice of the public; have a dangerous tendency to and have actually hindered and prevented price competition between and among respondents in the sale of malt in commerce. * * *

The complaints made no clear distinction between the functional significant to price control of information on past prices and information on current prices. Thus, with reference to statistics on past transactions, in the case of the *Hardwood Institute* (docket 3418, May 12, 1938) the Federal Trade Commission charged that the respondent manufacturers had agreed to "fix and maintain the price of hardwood lumber manufactured and sold by members of the institute" by means, among other devices, of daily reports to the secretary of the institute, on the basis of which he issued semiweekly confidential reports to the members "showing the prices received by each respondent member for each individual item of lumber sold during the period of the reports, and comparing same with so-called established list prices. * * *" The Commission in another case (*Keiner Williams Stamping Company*, Docket 2199, June 20, 1934), in charging a group of milk and ice cream can manufacturers with having combined to suppress price competition, listed as the "bases" of "enforcement" the following statistical activities:

A daily report from each member showing a detailed description of the cans sold, contracted for, and in stock, "firsts," "seconds" and "obsoletes" distinguished, the territory into which each shipment was made, the name of the seller, the name of the customer, number sold, capacity and type of each and any "extras" or deductions, net price, terms, the freight rate per hundredweight added to the delivered price and the freight rate per hundredweight allowed for equalization with a given point or competitor, the destination and if a delivery was pursuant to a contract, the date of the contract.

From the above reports the Secretary promptly disseminated among the members a "consolidated daily report," which was a consolidation of the information contained in the above mentioned reports.

Each manufacturer made a monthly sales report. In addition to the information contained in the daily report this monthly report contained complete data with respect to the number of cans shipped during the month, unfilled orders as of the last day of the month, and the allocation of sales by state. From these reports the secretary disseminated among the Members a consolidated monthly report.

Each member compiled and transmitted to the Secretary a weekly report of contracts made during the preceding week, showing the customer's name, the date of the contracts, their expiration date, the number fixed as the maximum delivery required by the contract, the number fixed as the minimum delivery, the size and type of cans, the net price, terms, extras and deductions.

As each member entered into a contract with the customer a copy thereof was filed with the Secretary, and the Secretary weekly bulletined to the members the contracts entered into the week before by any of the manufacturers, showing the names of the parties and the expiration date.

Trade statistics.—As may be seen in the example set forth immediately above, the collection and distribution of trade statistics have been cited among the devices employed in programs of price control. The reporting of trade statistics of one type or another was specifically cited in 18 of the 85 price control cases. In all but 2 of these cases the filing of price information also was alleged. Among the types of statistics cited were those covering production, inventories, shipments, sales, orders, unfilled orders, capacity, individual percentages of industry sales, and individual percentages of industry capacity. The role of trade statistics in price control rarely was indicated in the complaints. It may be assumed that in some cases the Government mentioned them only because they were closely tied into, or formed a part of, the price reporting program, as in the case quoted above.³² Where mentioned, the function of trade statistics was connected with the control of production. Thus, in the case of the *American Veneer Package Association* (docket 3556, August 1938) it was stated that:

said member respondents have agreed to curtail, and have curtailed, the production of veneer fruit and vegetable containers and the parts thereof, and for the purpose of securing the enforcement of the agreements to curtail production member respondents have filed, and do file, with their respective respondent organizations invoices and other reports.³³

Standardization and simplification.—One or both of these activities, including product grading, were cited in 7 of the 85 cases involving group action to eliminate price competition. Although it wasn't made explicit in the cases, the probable function of such activity was to afford the basis for price comparison needed for price control and to prevent evasion of price control measures through increasing the quality of the product without corresponding price changes.

The Federal Trade Commission has attempted to make it clear that its objection to standardization and simplification applies only insofar as such activity is used for price control purposes. In the case of *Keiner Williams Stamping Company* (docket 2199, June 20, 1934) it added a parenthetical note in its charge that a group of milk and ice cream can manufacturers had:

Standardized the construction of the milk and ice cream cans produced by them so that the respective types of cans were and are of uniform material, weight and general construction, and the metal used in the bottoms, cylinders and tops of the various types was and is of uniform gage, as among all the respondent manufacturers. (The Commission is not here complaining against the alleged standardization as such; but only against the use thereof as a means of carrying out the price-fixing conspiracy hereinbefore charged.)

Again, in a case involving the simplification of lead pencil lines, the Commission in a cease and desist order (*The Lead Pencil Association, Inc.*, docket 3643, Aug. 28, 1939) ordered the respondents to cease:

Investigating or consulting with each other with respect to a standardization program having as its objective the limitations of the styles, grades or qualities.

³² Three of the 18 associations in addition to trade statistics according to the complaints also collected and distributed information on costs, the possible relationship of which to price control is evident.

³³ Other cases in which trade statistics were cited as means to implement volume control were *Kraft Paper Association et al.*, Department of Justice, indictment, July 20, 1939; and *National Container Association et al.*, Department of Justice, indictment, Aug. 9, 1939. For a review of the program of the latter association see below, p. 238 ff.

of wood-cased pencils manufactured and offered for sale by any of the respondents. * * *

but stated:

IT IS FURTHER ORDERED that nothing herein shall be construed to prevent the respondents, or any of them, from investigating or consulting with one another, for the purpose of attempting to work out a simplification program for the pencil industry, whether said investigation or consultation is done in conjunction with the National Bureau of Standards, in accordance with the procedure of said Bureau or amongst any or all of respondents; Provided, however, that such investigation or consultation shall not be for the purpose of effectuating any agreement or combination among any or all of said respondents to fix or maintain uniform prices on comparable wood-cased lead pencils or to commit any of the other acts or things from which they are ordered herein to cease and desist.

Production and sales control.—To maintain effective price control it is often necessary to supplement the fixing of prices with the control of supply through the limitation of production, inventories, or sales. Overproduction gluts the market, increases inventories, and may eventually break any price control. In all there were 13 of the 85 price control cases in which the Government alleged some type of volume control. In only 2 of these was the allegation unaccompanied by a charge of agreement or conspiracy to fix or maintain prices.

In 7 of the 13 cases the complain simply alleged that respondents had entered into an agreement to limit or curtail production, without indicating the basis of the limitation. In 2 of these it was stated, however, that output had been so limited as to correspond to the amount that could profitably be sold at the price levels established.³⁴ It was subsequently revealed in 1 of these cases—involving a group of rice millers—that quotas were established which were based on the amount of the rice crop that each miller might process.³⁵

Of the remaining six cases, two involved cooperative selling agencies, which determined for each member the amount of sales that he might enjoy under the program. In two other cases it was alleged that the respondent had agreed on the percentages of the total business that each might enjoy, in one case evidently as measured by production,³⁶ in the other as measured by the volume of business transacted.³⁷ In another case the members of an oyster exchange, many of whom were canners and packers, were charged with having agreed to regulate and curtail the processing and canning of oysters and arbitrarily to limit the seasons or periods within which they would obtain and pack oysters.³⁸ Finally, in the case of the *Tarpon Springs Sponge Exchange* (docket 3024, Dec. 29, 1936) the Federal Trade Commission alleged that for the purpose of enhancing the price of "wool" sponges the members of the respondent exchange, through which practically all such sponges were marketed,

³⁴ It is interesting to note that in another of these cases it was alleged that for the purpose of securing enforcement of the agreement to curtail production each member respondent checked upon the production of some other designated member and filed reports with the association concerning the compliance of such member—*Standard Container Manufacturers' Association*, F. T. C., docket 3289, Jan. 3, 1938.

³⁵ *California Rice Industry*, F. T. C., docket 3090, Mar. 26, 1937. The Circuit Court of Appeals for the Ninth Circuit, on March 17, 1939, held that the Federal Trade Commission exceeded its authority in ordering the respondents to desist from fixing these quotas, since the activity regulated was neither commerce nor interstate in character.

³⁶ *Kraft Paper Association et al.*, Department of Justice, indictment, July 20, 1939. No charge of price agreement was made in this case.

³⁷ *National Container Association et al.*, Department of Justice, indictment, Aug. 9, 1939.

³⁸ *Bilori Oyster Exchange*, F. T. C., docket 3099, Apr. 7, 1937.

had interrupted operations of the exchange for a period of approximately 3 months in the spring of 1935. The Commission in this case did not allege a price agreement.

Allocation of buyers and sales territories.—Other methods sometimes used in programs of price control include the allocation of buyers and sales territories. The Government charged that the respondent groups had used such methods in 13 of the 85 price control cases. These devices evidently were used as alternatives to production control, for in only 1 case did the Government allege both production control and the allocation of buyers or sales territories. In 7 of the 13 cases the Government charged the allocation of sales territories; in 4 cases, the allotment of individual customers, and in 5 cases, an agreement among the respondents not to infringe upon one another's established customers. In 3 cases more than 1 of the above methods were alleged.

Although most of the complaints gave no detail on the specific arrangements entered into by the respondents, the following cases indicate the general nature of the alleged activities carried on: In the case of the *Chilean Nitrate Sales Corporation* (docket 3764, Apr. 15, 1939) the Federal Trade Commission alleged that the Chilean Nitrate Sales Corporation and the Barrett Co. among other things combined "to jointly select the customers to whom respondents sell bulk nitrate of soda" and "to allocate the trade territories in which respondents respectively market or push the sale of their bagged nitrate of soda." In the *Pittsburgh Plate Glass case* (docket 3154, June 16, 1937) the Commission charged that the respondent distributors had refused to accept orders for carload lots of window glass for transmission to the respondent manufacturers from dealers located outside their respective trade areas. In another case a group of manufacturers of snow fence were charged with having from time to time apportioned among themselves large orders awarded to one producer without the consent or knowledge of the purchaser (*The United Fence Manufacturers Association*, docket 3305, Jan. 18, 1938). In the case of the *Linen Supply Association* (F. T. C., docket 2256, Dec. 10, 1934) the Federal Trade Commission implicated a group of linen suppliers in the District of Columbia, who were alleged to have agreed that no member would solicit the customers of another member or quote them prices lower than those being quoted at the time by the member supplying them. It was further alleged that when a dispute arose concerning which of the members was entitled to the claim of a certain customer the matter was referred to an arbitration committee, whose decision was final. In the case of *W. B. Saunders Co.* (F. T. C., docket 3558, Aug. 26, 1938) the respondents were the four principal publishers of medical books and the three wholesale distributors who handled most of the publications in the medical field. Of the latter group, one was the largest in the New York City area, one the largest in the Middle West, and the third was the largest in the South and Southwest. According to the Commission:

A substantial portion of the medical books sold annually in the United States are purchased by schools, colleges, libraries, hospitals, and other State, county and municipal institutions and by departments and agencies of the United States Government. This institutional or governmental business is usually awarded after receipt of bids or quotations from medical book dealers and publishers, and the books required are generally purchased from the lowest bidder. Re-

spondent dealers are or have been competitors for such business throughout the United States and respondent publishers also frequently submit bids or quotations for such business, competing therefor with respondent dealers.

Each of said respondent publishers fixes and prescribes the prices and discounts to be used by medical book dealers and distributors in bidding or quoting prices on the medical books of such publisher to government agencies and public institutions. Each of said respondent publishers requires that the respondent dealers and other wholesale dealers to whom it sells or consigns medical books shall not quote prices to government agencies and public institutions lower than the prices so fixed by such publisher, and sells medical books to such dealers on the condition, agreement and understanding that such dealers, respectively, will adhere to the prices and discounts fixed by the publisher, in selling or offering to sell to such government agencies and public institutions.

During the years 1935 and 1936 the three respondent dealers herein agreed, combined and conspired together, and each with the other, that in bidding and quoting prices for the medical book business of government agencies and public institutions they, and each of them, would uniformly bid at and quote the prices and discounts fixed and prescribed for such business by the respective publishers of such medical books. Thereafter, in bidding and competing for such business said respondent dealers, in furtherance of said agreement, combination and conspiracy, have adhered to and quoted the prices and discounts on medical books fixed and prescribed by the respective publishers thereof.

In or about May, 1936, said respondent dealers entered into an agreement and understanding, each with the other, dividing and assigning certain territory in the United States for the purpose of handling and bidding for the medical book business of schools, colleges, libraries, hospitals, and government agencies and institutions in such territory. Each of said respondents agreed not to bid or compete for such business in the states or territory assigned to one of the others. Pursuant to said agreement and understanding, said respondents have ceased and refrained from bidding against or competing with each other for such business in a large part of the United States, including the States of Texas, Illinois and New York.

Buying out.—Buying out describes the practice through purchase of removing from the market or preventing the entry on the market of goods that represent a potential threat to a price control program. Allegations of this practice were found in five of the cases. In three of these cases the respondents were liquor dealers, who, it was alleged, among other activities combined to "shopout" the stocks of retailers who refused to maintain the agreed-on uniform minimum prices. In the case of the *Hardwood Charcoal Company* (docket 3670, Feb. 17, 1939) the Federal Trade Commission charged that respondent manufacturers agreed to purchase, and did purchase:

the entire Canadian hardwood charcoal output shipped into the United States for the purpose, and with the intent and effect of eliminating all possible competition arising from, or which might arise from, the sales of said Canadian charcoal in the United States.

In the case of the *Standard Oil Company (Indiana) et al.* (indictment, 11365, Dec. 22, 1936) the Department of Justice alleged that, as a part of their program of limiting supply, controlling and enhancing tank-car prices of gasoline in the midwestern area, the major oil companies beginning in 1935 entered into a concerted buying program, and bought up a substantial proportion of the output of the so-called "independent" refiners.

Sanctions.—The establishment of methods of price control frequently is not in itself sufficient. The methods often are implemented by devices and sanctions designed to make the program of price control effective. Procedural devices may be adopted to determine the extent of compliance, and sanctions applied to secure compliance.

In many cases no mention was made of the devices and sanctions employed to implement group programs of price control, while in

other cases references were so adumbrated as to make it impossible to identify the measures adopted by the respondent groups. As an example, in the case of *Shelton Tubular Rivet Company* (docket 3107, Apr. 17, 1937) the methods of investigation and the sanctions used to maintain an alleged price agreement were but vaguely stated when the Federal Trade Commission charged that respondents:

Induced certain of the aforesaid other respondents by intimidation and persuasion to raise their prices quoted by them to the uniform delivered prices fixed as aforesaid by the aforesaid combination, conspiracy, understanding and agreement.

Held meetings of The Institute of Tubular-Split and Outside Pronged Rivet Manufacturers, its members and officers to devise methods of asserting influence, pressure, coercion or other means of inducing coercion and requiring manufacturers and producers of industrial rivets to fix, establish and maintain prices and fix the established and published prices as well as to abide by and adhere to said uniform price lists so fixed.

Used and engaged in other cooperative acts, coercive means and practices in promoting the establishment of and carrying out the aforesaid program and understanding, combination, conspiracy and confederation set forth herein.

Table 52, which shows the frequency with which various devices and sanctions were mentioned in the price control cases, should be interpreted with these limitations of the data in mind.

The most common method of determining the extent of compliance was periodical investigation by the executive of the trade association or some other employee of the respondent group. This method of surveillance was mentioned in 28 of the 85 price control cases. It is probable that the reporting of price and trade statistics also served as a continuing check on compliance, although the use of trade statistics in this policing capacity was seldom specifically referred to in the complaints. When a violation of the agreement was suspected, it was in seven cases the practice to hold trials or hearings to determine guilt or to allow for the expression of grievances. On the basis of the evidence adduced by the parties concerned the existence of a violation could be ascertained, and the stage set for group measures to strengthen unity.

In reviewing the sanctions invoked by the groups to secure adherence to programs of price control, it is notable that in 33 of the 85 cases no evidence of persuasion or compulsion was recounted in the proceedings. Apparently the members of the group were sufficiently "farsighted" and unanimous in their views as to make unnecessary the application of any type of sanction by the association. In other words, the only sanction that might be deduced in these cases was the members' conviction that their economic self-interest lay in adherence to the controls. This was the condition of compliance which other groups sought to achieve.

Alone, or in conjunction with other sanctions, at least 45 of the groups in one way or another undertook campaigns of education and exhortation to promote members' faith and compliance. These programs represented organized campaigns, vigorous and studied drives, to consummate a definite program of action and to bring into line recalcitrant and reluctant members of the industry. Educational activities were carried on, and speeches, conferences, meetings, circulars, correspondence, telegrams, telephone calls, and personal visits were used to exhort, solicit, urge, persuade, and cajole individuals to abide by the group policies. Behind these sanctions of persuasion and trade opinion often loomed the threat of expulsion from the association.

In 11 cases it was alleged that the respondent groups, all of which were trade associations, invoked financial penalties against members who violated the agreements. For example, in the case of the *California Rice Industry* (docket 3090, Mar. 26, 1937) the Federal Trade Commission charged that the individual respondents agreed to pay to the association a certain amount of money for each bag of rice processed and that deductions could be made from the fund of any member violating the agreement and distributed among the other members. Again in the case of the *Tarpon Springs Sponge Exchange, Inc.* (docket 3024, Dec. 29, 1936) the Commission charged that the members had agreed to subject themselves to fines ranging from \$750 to \$2,500 in case of violation of the basic agreement to cease purchasing and dealing in sponges for a specified period of time. In most of these cases the complaints failed to indicate the nature and magnitude of the financial penalty.

The forcible sanction most commonly found in the price control cases was the boycott. Eighteen instances of its use were encountered.³⁰ In the large majority of these instances the boycott was directed by the respondent group, not against the members, but against competitors outside the group. Not being able to induce these competitors to join the agreement, pressure was put upon them through the group's influence with their suppliers to force them to conform to group policy. Seven of the 18 cases implicated groups of wholesalers or dealers, and 7, combinations of manufacturers, wholesalers, and dealers. Boycotts were alleged to have been directed by respondent wholesalers or dealers against manufacturers or wholesalers, as the case may have been, simply to prevent price-cutting competitors from obtaining supplies. Thus, in the instance of the *Retail Coal Merchants Association* (docket 3911, Oct. 5, 1939) the Federal Trade Commission alleged:

Members respondents, accompanied by the Secretary of the Association respondent, have called on wholesale coal dealers, including the wholesale dealers respondents, and outlined their plans and urged said wholesale coal dealers under threat of boycott to cooperate with them by refusing to sell coal to any nonmember or to any dealer who undersold the Association, thus eliminating all price competition and forcing all nonmembers to join the Association if they wanted to stay in business;

Association respondent, through its Secretary, has arranged joint meetings between members respondents and wholesale dealers respondents, in different cities and towns in the State of Virginia, as well as in Washington, D. C., where the plans, purposes, and practices of the association and its members were outlined to the wholesale dealers and their cooperation solicited, under threat of boycott.

Four of the seven cases in which manufacturers were cited together with distributors and dealers occurred in the alcoholic beverage industry. Individual manufacturers were charged with having agreed to boycott distributors or dealers who refused to abide by the price schedules in force. In three cases manufacturers joined with jobbers of automotive parts and equipment in an agreement to boycott non-cooperating jobbers.

In only four cases were groups of manufacturers alone charged with the use of boycott to enforce a price control program. In one

³⁰ Cases in which manufacturers on their own initiative refused to sell to distributors or dealers who would not maintain resale prices or otherwise observe the terms and conditions of sales specified by the manufacturers (e. g., nonobservance of policy with respect to returned goods; separation of trade functions) were not classified as boycotts.

of these cases the Federal Trade Commission failed to specify the nature and direction of the boycott (*The Hardwood Institute*, docket 3418, June 15, 1938). In another case (*Scientific Apparatus Makers of America*, docket 3092, Mar. 29, 1937) the use of boycott was inferred from the Commission's statement that the respondent blueprint paper manufacturers had agreed "to and have interfered with the source of supply of raw paper of certain members of the industry who did not adhere to the schedule of prices fixed and agreed upon by the said respondents." As has been previously indicated in another connection, producers of cement were alleged by the Commission to have boycotted customers and dealers handling or using imported cement. The most specific charge of the use of boycott by manufacturers was set forth in the case of the *Uniform Cap Manufacturers Institute* (F. T. C., docket 2530, Aug. 29, 1935) in which it was alleged that a group of uniform cap manufacturers, having fixed the prices for their products, united to boycott manufacturers of vizors who sold to price-cutting cap manufacturers.

Failure to comply with respondents' price control program in seven cases was punishable by group action in cutting prices. In two cases (*Metal Window Institute*, docket 2978, Nov. 11, 1936, and *Scientific Apparatus Makers of America*, docket 3092, Mar. 29, 1937) the Federal Trade Commission alleged that in some instances the respondents declared bids requested by purchasers to be "open," in view of the fact that certain bidders were not a party to the price agreement, and concertedly submitted bids at levels lower than those agreed upon to compel such nonmembers to cooperate in the maintenance of prices. The Government in three other cases alleged that the respondents had established a new company, or made arrangements with an existing company, for the purpose through such company of punishing price cutters or eliminating competition that threatened the established price levels.⁴⁰ In a case involving the *Underwood Elliott Fisher Company* and three other typewriter manufacturers (Department of Justice, indictment, July 28, 1939) the respondents were charged with "agreeing to underbid any manufacturer of typewriters in the United States who attempted to obtain business enjoyed, or sought to be enjoyed, by the corporate defendants"; and, finally, in the case of the *Cement Institute* (docket 3167, July 2, 1937) the respondent manufacturers, according to the Federal Trade Commission, made "concerted and uniform deviations" from price levels which otherwise would have prevailed to prevent importations of foreign cement from breaking down the pricing system in certain seaboard centers.

Violence was seldom used as a sanction in price control cases, although, as will be seen below, it was not infrequently encountered in cases in which the primary objective of the respondent group was the elimination of competitors. Use of violence to support price control programs was found in but two cases, one of these, also, being the only price control case in which the assistance of labor groups was alleged to have been enlisted in enforcing the group program. In the case of the *Borden Company et al* (Department of Justice, indictment, Nov. 1, 1938) the defendant milk distributors employed three-

⁴⁰ *Viscose Company*, F. T. C., docket 2161, Feb. 1, 1934; *Dairymen's Association, Ltd.* (Hawaii) Department of Justice, indictment, Oct. 8, 1937; and *Lock Joint Pipe Company*, F. T. C., docket 3127, May 11, 1937.

quarters of the membership of Local No. 753 of the milk wagon drivers' union, whose support they enlisted to impede by "threats," "intimidation," and "violence" the transportation and distribution of fluid milk by independent distributors who refused to purchase fluid milk at the prices agreed upon by defendant producers' and distributors' associations. The *Hawaii Brewing Corporation Ltd.* (Department of Justice, information, Mar. 24, 1938) combined with other beer distributors to fix uniform prices and employed violence against the retail dealers of a noncooperating producer-distributor to force him to comply with the established minimum price.

In five cases respondent groups were alleged to have misrepresented Federal law or authority as a means of persuading or compelling members to cooperate in a program of price control. In the case of the *Covered Button and Buckle Creators, Inc.* (F. T. C., docket 3186, July 24, 1937) it was charged that the respondents attempted to enforce their price program by notifying the trade that the promulgated uniform practice was required and approved by the Federal Trade Commission pursuant to fair-trade-practice rules approved for the industry just previously. As stated in the complaint, respondents:

falsely stated, represented, and implied, in and by the notice described in subparagraph (c) of this Paragraph and by other means, that the Federal Trade Commission has approved Fair Trade Practice Rules for the Covered Button and Buckle Manufacturing Industry regulating prices for covered buttons, buckles, and novelties or authorizing the fixing of such prices.

The fair-trade-practice rules were cited as authority for the establishment of a basic cost formula, a maximum uniform discount, and for the prohibition of the giving of free samples, the granting of price differentials, rebates, refunds, discounts, credits, or other allowances from the "established basic cost prices." Respondents in their announcement of uniform prices and terms publicly informed their customers, through a notice in *Women's Wear*, that:

Manufacturers of covered buttons and buckles *who are not members of the undersigned Association* are hereby notified that they will be held strictly accountable for any violation of the rules as promulgated by the Federal Trade Commission and will be subject to legal action for any such violations.

In another case (*Southern Vitrified Pipe Association*, docket 3868, Aug. 8, 1939) the Federal Trade Commission complained that the respondent association had maintained a committee to prevent deviation from the established prices by threats and propaganda that such deviation would constitute a violation of Federal laws against discrimination in price.

Similar in their use of Federal authority were references to the National Recovery Administration. In three cases groups of manufacturers, operating under codes of fair competition established in conformity with the N. R. A., had established various price control measures outside the purview of those codes. These cases implicated the *Fire Extinguishing Appliance Manufacturing Industry* (F. T. C., docket 2352, Apr. 4, 1935), the *Rubber Manufacturers Association, Inc.* (mechanical rubber goods, F. T. C., docket 2354, Apr. 5, 1935), and the *National Electrical Manufacturers Association* (wire and cable, F. T. C., docket 2565, Sept. 26, 1935). The Federal Trade Commission charged that respondents had exceeded N. R. A. authority to enforce illegal price control measures.

There were a number of devices which, though rarely encountered, illustrate the variety of sanctions resorted to in enforcing price control. The *Dairymen's Association* (Department of Justice, indictment, Oct. 8, 1937) was charged with instigating vexatious lawsuits by the creditors of its competitors, in an effort to harass them into complying with its price program. In three cases, which named the *National Standard Parts Association* and the *Motor Equipment Wholesale Association* as respondents (F. T. C., dockets 2764, 2765, 2942, Apr. 15, 1936, Apr. 15, 1936, and Oct. 14, 1936), it was charged that noncooperating small jobbers were required by the manufacturer members of the respondent associations to carry a "full line" of automotive products, with the end in view of so embarrassing them financially as to drive them out of business. In the case of the *Lock Joint Pipe Company* (docket 3127, May 11, 1937) the Federal Trade Commission alleged that respondents in effectuating their agreement on uniform bids "made disparaging statements and representations covering the financial standing and business of competitors." One of the devices alleged in the *Borden Co.* indictment was the inducing of health inspectors favoring the combination to discriminate against milk producers who did not cooperate with it. In the case involving the *Dairymen's Association* it was alleged that the respondents had bribed competitors' employees to give information on customers as an aid to the respondents' program of concerted price cutting. In one case action against price cutters extended to an arrangement with newspapers whereby they agreed to refrain from advertising cut prices (*Hiram Walker, Inc.*, F. T. C., docket 2991, Nov. 23, 1936).

It should be noted in conclusion that the type of sanction or coercive device, or means of applying pressure on those who were indifferent to or defied the price agreement, frequently was not elaborated in the complaints. Reference has already been made to the language of the *Shelton Tubular Rivet Co.* complaint, which illustrates the generality and vagueness of the charges. Beyond the fact that such actions as "intimidation," "disciplinary action," or "coercive means and practices" were employed by the respondents, there was no indication in 17 of the cases of the sanctions applied.

Elimination of competitors.

Of the 125 cases studied, there were 38 instances in which the primary objective of the respondent group was the elimination of competitors. This is the second of the two major classifications of illegal objectives of trade associations as they appeared in the charges of the Federal Trade Commission and the Department of Justice. Cases falling in this classification have been divided into two subgroups: Programs involving, and programs not involving, control of channels of distribution.

Control of distribution channels.—There were 14 cases in which the Government charged the respondent groups with having attempted to maintain or gain control of distribution channels. In four of the cases respondents were wholesalers of candy, tobacco, or groceries.⁴¹

⁴¹ *Wyoming Valley Jobbers Association, Inc.*, F. T. C., docket 2403, May 22, 1935; *South-eastern New York Candy Distributors Association of Binghamton, New York*, F. T. C., docket 2292, Feb. 4, 1935; *Star Tobacco Company*, F. T. C., docket 3412, May 9, 1938; and *Fall River Wholesale Grocers' Association*, F. T. C., docket 2677, Jan. 4, 1936.

Three named dealers in building supplies.⁴² Distributors and packers of sponges were implicated in the case of the *Sponge Institute* (F. T. C., docket 3025, Dec. 29, 1936); distributors of surgical instruments and appliances in another case (*Metropolitan Surgical Instrument Council, Inc.*, F. T. C., docket 2409, May 28, 1935), and distributors of rubber heels and soles and dry goods in two other cases (*The I. T. S. Company*, F. T. C., docket 2802, May 15, 1936; and the *Wholesale Dry Goods Institute, Inc.*, F. T. C., docket 3751, Mar. 31, 1939). In the three remaining cases charges were made against furniture retailers (*Retail Furniture Dealers' Association of St. Louis*, F. T. C., docket 2757, Apr. 9, 1936) and against ice cream manufacturers (*International Association of Ice Cream Manufacturers*, F. T. C., docket 2346, Mar. 27, 1935; and *National Dairy Products Corporation et al.*, Department of Justice, Indictment, Nov. 1, 1938).

In these cases the organized wholesalers, dealers, or other distributor respondents attempted to establish themselves as the only "recognized," "legitimate," or "bona-fide" distributors of the products handled. Their programs were designed to eliminate manufacturers' competition in the market by preventing them from selling directly to dealers or consumers and in some cases, at the same time, to eliminate the competition of such distributors as chain stores and other large retail outlets that combined wholesaling and retailing functions. Accompanying this program it was alleged in some cases was an attempt by the respondents to establish uniform prices, terms, and conditions of sale.

In most of these 14 cases the method used by the respondents to achieve control of distribution in their localities was to enlist the membership or cooperation of all similarly situated distributors. If complete cooperation was achieved, the group was then in the best position to dictate the distribution policies of manufacturers in the area represented and in so doing to prevent the entrance of new competition in the field. If distributors remained outside the group program, the group attempted to use organized pressure upon manufacturers to do business with its members only, thus forcing the recalcitrants either into line with its policy or out of business. Action in the final analysis was directed against noncooperating producers and "unrecognized" distributors. In 10 of the 14 cases the respondents were groups of wholesalers or other middlemen, or firms, such as building material dealers, that characteristically combine wholesaling and retailing functions. The Retail Furniture Dealers' Association of St. Louis was composed of retailers who attempted to prevent manufacturers and distributors from selling direct to final consumers in their territory. In the *I. T. S. case*, wholesalers sought the cooperation of small retailers to prevent manufacturers from selling direct to chain-store outlets. In the *Ice Cream Manufacturers* and *National Dairy Products cases* the respondents were ice cream manufacturers who also performed a wholesaling function. Their program was directed against retailers who made ice cream with counter freezers, thus minimizing their dependence upon manufacturers for bulk deliveries.

⁴² *Building Material Dealers Alliance*, F. T. C., docket 2191, Oct. 18, 1935; *New York State Sheet Metal Roofing and Air-Conditioning Contractors' Association*, F. T. C., docket 2931, Sept. 28, 1936; and *Phil J. Bliffert*, F. T. C., docket 3631, Oct. 18, 1938.

Analysis reveals that there was little dissimilarity in methods and sanctions allegedly used by the 14 respondent groups to gain control of channels of distribution. Such variations as occurred are largely attributable to the differing nature of the products handled or to the differing organization of distribution, although the ingenuity, position, and strength of the respondent groups also were important factors.

In the case of the Wyoming Valley Jobbers Association, the Federal Trade Commission alleged that the respondents had:

Exacted and procured pledges and other promises of agreements from each such "recognized" dealer and each member of respondent Association and from manufacturers and producers of tobacco and confectionery products to the effect that such dealers, members, manufacturers and producers would support, adhere to, and enforce the foregoing program of respondents set forth in Paragraph three hereof.

Printed and published lists (so-called "white lists") containing the names of "recognized" dealer members of said Association, so as to include in said lists only so-called legitimate, regular, or "recognized" dealers, brokers, distributors and wholesalers of said products, and to exclude therefrom, and thereby to identify as such, so-called non-"recognized" dealers, brokers, distributors and wholesalers of said products, and supplied said lists to aforesaid manufacturers, and by the means and methods hereinafter set forth persuaded, induced and compelled said manufacturers to cease dealing with and to refuse to open accounts with the dealers, brokers, distributors and wholesalers so reported.

The procedure of the Southern New York Candy Distributors Association was described in almost identical language, and the group of tobacco wholesalers implicated in the case of the Star Tobacco Co. also depended upon pledges and agreements from manufacturers and other distributors. The Fall River Wholesale Grocers' Association similarly was charged with securing agreements from manufacturers to do business in the area only with firms cooperating in the group program. Furthermore, "an agreement was reached between respondent Wholesalers' Association and the association of retail grocers in the Fall River region looking to the prevention and restraint of purchases by retailers direct from manufacturers." In this case manufacturers were required not only to cease supplying wholesalers not members of the association but to accept respondents' pooled orders in carload lots and to fill out the carload with their own merchandise when the pooled orders were insufficient. The Wholesale Dry Goods Institute, Inc., sought to canalize the flow of dry goods and notions through its members and to obtain preferential treatment from manufacturers, primarily through the publication of trade lists indicating to both wholesalers and manufacturers the firms with which they should deal. According to the Federal Trade Commission:

The respondent, the Wholesale Dry Goods Institute, Inc., has prepared and distributed a directory containing the names of approximately 1,400 individuals, copartners and corporations, which said respondent considers meet with the definition of a wholesaler as defined by said respondent, the Wholesale Dry Goods Institute, Inc. Members of said respondent, the Wholesale Dry Goods Institute, Inc., listed therein are designated by a star opposite their respective names.

Said respondent, the Wholesale Dry Goods Institute, Inc., from time to time has compiled, and compiles, a list of manufacturers of dry goods, notions and kindred lines of merchandise in which said list or compilation all of the manufacturers are classified or graded according to their respective sales policies. The highest grade or classification is grade A, and in this classification are placed those manufacturers who confine their sales to wholesalers. The lowest classification is group K, and in this classification are placed those manufacturers who sell not only to wholesalers but chain stores, syndicates and retail stores without main-

taining any differential in price. Said list of manufacturers is distributed by said respondent, the Wholesale Dry Goods Institute, Inc., among its said members. Said list is from time to time revised and the manufacturers listed therein reclassified according to their current selling policies, and the members of said respondent, the Wholesale Dry Goods Institute, Inc., are so notified.

In this case manufacturers not confining their sales to the member wholesalers were alleged to have been reclassified into a lower status on the published list. Members, in turn, were "coerced and compelled" to refrain from purchasing from such manufacturers. Use of the boycott was explicitly charged in the other cases mentioned above. Member wholesalers boycotted manufacturers who supplied nonmembers, cooperating manufacturers, in turn, refusing to sell to wholesalers not members of the respondent groups. The usual boycott procedure was supplemented in the case of the Fall River Wholesale Grocers' Association by a penalty provision, whereby the association—obliged all of its members to cease handling the products of said manufacturer on penalty of forfeiture of deposits of said members held by respondent Wholesalers' Association as a guaranty of their conformity to its requirements.

The methods and sanctions cited in the cases of Phil J. Bliffert, who was "consultant and adviser" to 11 building supplies dealers in Milwaukee, Wis., and of the Building Material Dealers Alliance were similar. Bliffert and his group were charged by the Federal Trade Commission with:

Boycotting and threatening to boycott manufacturers and sellers of building supplies who sell or ship building supplies either to competitors of respondent dealers or directly to consumers of building supplies.

Causing, inducing, and procuring, by promises, threats, coercion, intimidation and otherwise, manufacturers and sellers of building supplies:

Not to sell or ship building supplies to competitors of respondent dealers or directly to consumers of building supplies.

To boycott competitors of respondent dealers and consumers of building supplies.

To confine to the respondent dealers the said manufacturers' and sellers' sales and shipments of building supplies intended for use, consumption or resale in Milwaukee County and other counties in the State of Wisconsin.

To pay to one or more of the respondent dealers commissions upon said manufacturers' and sellers' sales of building supplies made directly to consumers for use upon construction projects upon which the respondent dealers bid, for which said commissions the recipients thereof render to said manufacturers and sellers no services whatsoever.

Bliffert was charged with soliciting the respondent dealers and others to enter into and perform the sundry plans, understandings, agreements, combinations, and conspiracies referred to. The New York State Sheet Metal Roofing and Air-Conditioning Contractors' Association was charged with attempting to prevent manufacturers of hot-air furnaces from selling to mail-order houses. To effect this end an effort was made "to prejudice the members of the New York association and the various other trade associations and their respective members against said manufacturers; to urge the members of said trade associations to purchase only from manufacturers recommended by said respondents." In addition to issuing "white lists" and using boycott and "coercive and concerted action," it was alleged that respondents:

Caused publication and distribution of many thousands of pamphlets and bulletins to the various trade associations in the several States of the United States and to the respective members thereof, urging and requiring said members to

discontinue purchasing the products of manufacturers named in said pamphlets and bulletins, and urging and requiring the said trade associations to induce their membership to discontinue trading with said manufacturers.

The Federal Trade Commission's complaint in the matter of the Sponge Institute sets forth in two succinct paragraphs the respondents' program to control channels of distribution:

Respondent institute and its respondent members define the only legitimate and regular channel of distribution to be the packer, then the wholesaler distributor (among whom are said members of the Institute), then the wholesaler and the retailer; and from time to time designate the business concerns who constitute the legitimate packers and wholesale distributors in this channel as "bona fide sponge houses." Channels of distribution originating with the packer of sponges, and which do not flow through the distributor, but go direct to the consumer or to the wholesaler or retailer, are designated by them as irregular and illegitimate channels of trade, and any dealers acquiring sponges through such so-called illegitimate channels are, by the respondent Institute and its respondent members, designated illegitimate dealers.

Pursuant to the aforesaid agreement and understanding, the respondent members of the Institute furnished the respondent packer members who had entered into such agreement, as hereinabove set forth, with a list of "bona fide sponge houses," with the direction to the respondent packer members that such list contained the "bona fide sponge houses" to whom they should confine their sales. In pursuance of said agreement, combination and conspiracy, the respondent packer members cooperatively adhered to the plan, and by concert of action, failed and refused to sell sponges to any dealer unless such dealer was on the list furnished by the Institute as a "bona fide sponge house." Said list has been revised from time to time, and respondent packer members are furnished with each revised list of the so-called "bona fide sponge houses." Pursuant to the aforesaid combination, agreement and understanding, the respondent Institute furnished its members with a list of the packers who were cooperating in the plan to restrict sales, and cause said respondent members of the Institute to, and said members did, by concert of action, confine their purchases to the said packers who were cooperating in said plan; and whenever the Institute discovered that any packer had made a sale contrary to the agreement and understanding, the name of such packer was taken off their list, and such packer violating the agreement was blacklisted, and thereafter the respondent members of the Institute, by concerted action failed and refused to make any further purchases from such packer.

The program alleged in the case of the *Metropolitan Surgical Instrument Council* closely resembled that just described. However, in this case there was also a corollary price agreement, which was enforced "by a system of fines exacted from members making sales of said commodities at prices less than those set out in said schedules." The complaint stated that the N. R. A. Code of Fair Competition for the Surgical Distributors Trade could in no way be interpreted to justify respondents' activities, thus implying that respondents had invoked the code as a sanction against recalcitrant members of the trade. In the *I. T. S. case* the Federal Trade Commission charged that respondent shoe-finding jobber and respondent shoe repairers had agreed:

to 'close the natural channels of distribution of' the products of competitors of respondent who sell their products to the 5- and 10-cent stores and to cause the natural channels of trade, viz., the shoe manufacturers, the shoe findings jobbers, the repairers, and hardware stores, to boycott and refuse to deal with those manufacturers and wholesale dealers in the aforesaid products who also sell their products to the 5- and 10-cent stores.

The device used to enforce this effort was the circularizing of the trade with letters, pamphlets, literature and advertisements in trade magazines, and the disseminating of propaganda through salesmen, urging boycott of designated concerns. The Retail Furniture Dealers' Association of St. Louis was charged with preventing manufacturers,

distributors, and jobbers from selling direct to consumers and furthermore with preventing manufacturers from accepting orders from dealers outside St. Louis for delivery in that city. Noncooperating manufacturers and distributors were blacklisted and boycotted, whereas those who were willing to cooperate signed pledges and were whitelisted.

The cases involving the *International Association of Ice Cream Manufacturers* and the *National Dairy Products Corporation et al.* were concerned with the activities of the same group. The first case was initiated by the Federal Trade Commission, which at the request of the Attorney General transmitted its files of the proceedings to the Department of Justice, from which the second complaint was issued. The Commission characterized the respondents as "wholesale ice-cream manufacturers and distributors." The activities of which the Commission complained arose in connection with respondents' effort to prevent the installation of counter ice-cream freezers in retail stores. Use of these counter freezers minimized the dependence of retailers on the wholesale-manufacturers for bulk ice cream. The Commission charged the respondent group with:

Boycotting and intimidating suppliers, distributors, and vendors of counter freezers to cause them to cease handling such freezers and causing their customers to cease dealing with them.

Prevailing upon creameries, milk-products distributors, distributors, and vendors of ice-cream mix by "threats of loss of business, intimidation, and boycott" to refuse to deliver ice-cream mix, or to deliver inferior or "scorched" ice-cream mix, to counter-freezer operators.

Securing by fraud and misrepresentation alleged letters from dissatisfied purchasers of counter freezers to be used as evidence against such freezers.

Persuading city and State sanitary inspectors to harass counter-freezer operators. Offering to purchase counter freezers at exorbitant prices, thus to regain the business of the retailer.

Reducing wholesale prices to low rates to attract retailers from the use of the counter freezers; this end having been achieved, the previous higher rates were restored.

Discouraging the use of counter freezers in drug stores by threatening to establish new competing drug stores.

Sponsoring legislation, ostensibly as sanitary regulation, to discourage the use of counter freezers.

Publishing and distributing pamphlets and other literature containing untrue statements designed to discourage the use of counter freezers.

Substantially the same allegations were made by the Department of Justice in its indictment of the *National Dairy Products Corporation et al.*, in which case the same respondent group was implicated.

Cases not directly involving control of distribution channels.—Twenty-four of the 38 cases in which the major objective of the respondent groups was the elimination of competitors have been classified as not involving the control of distribution channels. In these cases the respondents were concerned primarily with the elimination of similarly situated competitors rather than with the preservation of a distribution function threatened with diminution or extinction by new distribution forms and practices. More aptly than any other, this group of 23 cases may be described as involving efforts to monopolize a line of business. Economic coercion, of which the boycott was the principal form, characterized these efforts. In approximately half the cases the respondents also were charged with having entered into conspiracies or agreements to fix and maintain prices.

Four of the 23 cases implicated groups of building supply distributors or dealers. Two of these (*Florida Building Material Institute, Inc.*, F. T. C., docket 2857, June 30, 1936; and *California Lumbermen's Council*, F. T. C., docket 2898, Aug. 14, 1936) might well have been classified under the category of cases involving the control of distribution channels, inasmuch as the respondent dealers in both cases through boycott attempted to prevent manufacturers or wholesalers from selling directly to consumers or from otherwise short-circuiting or avoiding dealer distribution. Judging by the complaints, however, these respondent associations were not alone concerned with preserving the dealer's function. They tended to operate as an exclusive group of dealers, who conspired not only to preserve the dealer's function in the distribution of building supplies but also to eliminate from the market competing dealers who for one reason or another were not privileged to join the conspiracy. Thus, in the case of the *California Lumbermen's Council*, the Federal Trade Commission charged that the respondents had denied membership in their associations to persons who were engaged in business, or who desired to do business, in the communities served by the respondents, had driven or attempted "to drive such competitors out of business," and otherwise had attempted "to acquire and maintain a monopoly in the State of California."⁴³

The Federal Trade Commission in two other cases charged concerted action to monopolize the distribution of building supplies. In these cases (*Pittsburgh Plate Glass Company*, docket 3491, July 14, 1938; and *Pittsburgh Plate Glass Company*, docket 3858, July 22, 1939) respondent distributors, who also were contractors of window and other glass used in buildings, and respondent unions of glaziers were alleged to have cooperated to prevent competing contractors from supplying and installing glass in buildings in the St. Louis and Indianapolis trade areas, respectively. The methods alleged in the two cases were similar. In the Indianapolis case (docket 3858) the respondents agreed among other things that "to be recognized as a glazing contractor, one must be an employer engaged in the glass and glazing business;" that evidence that one was in such business was the stocking of a "reasonable" amount of flat glass products, the maintaining of "necessary" truck and warehouse equipment, and the continuous employment of at least three men; that all glazing work must be done at the situs of the job, except as permission was obtained from the business agent of the respondent labor union; and that to install glass the glazing contractor must employ members of the respondent union. Respondent distributors refused to supply contractors who failed to meet the requirements specified. The capacity, tendency, and effect of this agreement, according to the Commission, was to "monopolize in respondent distributors the glazing contract business in the Indianapolis trade area;" to prevent glazing contractors and glass distributors outside the State from securing glazing contracts; and to prevent the establishment of new glazing contractors in the Indianapolis trade area.⁴⁴

⁴³ Respondents in this case have petitioned the ninth circuit court to review the Commissioner's order against them.

⁴⁴ Had the present survey included cases instituted by the Federal Government subsequent to October 1, 1939, the number of cases involving conspiracies to monopolize the distribution and installation of building materials would have been very considerably expanded, in view of the recent activity of the Department of Justice in this field.

Groups of distributors were implicated in six other cases instituted by the Federal Trade Commission. In two cases (*San Pedro Fish Exchange*, docket 3739, Mar. 17, 1939; and *Northeastern Maine Wholesale Confectioners' Association*, docket 2385, May 9, 1935) the Commission charged the respondent wholesaler associations with having boycotted suppliers who sold to competitors and, in the Maine Confectioners case, with having denied membership in the association to firms wishing to affiliate therewith, thus preventing them from engaging in the business in which the members of the association were engaged. In the case of the *Hotel, Restaurant and Tavern Equipment Association* (F. T. C., docket 3861, July 27, 1939) respondents, who were manufacturers and distributors of glassware, were alleged to have conspired and combined among themselves (for reasons not indicated in the complaint) to cut off the source of supply and to refuse to fill the orders, "of at least one competing jobber." In the case of the *Chicago Medical Book Company* (F. T. C., docket 3557, Aug. 26, 1938) the Federal Trade Commission complained that the Chicago Co., a distributor of medical books, had conspired with four respondent publishers of medical books to cut off the supply of medical books to two competitors of the Chicago Co.—Wilcox & Follett Co. and Login Bros. The Chicago Co. had been able to force a publishers' boycott against these two companies by reason of its dominant position in the Chicago market. The alleged effect was to monopolize commerce in the purchase and sale of medical books to and from Chicago and vicinity. The fifth case (*B. Green and Company*, F. T. C., docket 3720, Feb. 21, 1939) was directed at a rather unique situation in the wholesale grocery trade of Baltimore, Md. According to the Commission it had been the custom for wholesale grocers in this area to pool their less-than-carload-lot purchases in order to obtain carload rates. But during 1938, it was alleged, respondents entered into an agreement to refuse to allow "certain designated wholesale grocers" to be a party to their arrangements; to deliberately increase their purchases of certain products so as to exclude the necessity of admitting competing wholesalers to their pooling arrangements; and to refuse to buy from manufacturers who allowed such designated wholesalers to pool their purchases into carload lots. Finally, in the case of the *Hershey Chocolate Corporation* (F. T. C., docket 3134, May 20, 1937) the respondents—two of the largest manufacturers of candy bars, a sales corporation, and the three largest vending machine operators—were charged with having entered into exclusive distributor arrangements, in which the manufacturers agreed to confine their sale of special chocolate bars to the respondent vending machine operators. The Commission alleged that this agreement made it difficult for competing vending machine operators to obtain and maintain vending machines in theaters.⁴⁵

The Department of Justice in four instances charged that respondent groups, as an aid to monopolizing trade, had solicited and obtained the aid of labor groups, who cooperated to force nonmembers into the association or to drive them out of business. This was accomplished by their refusal to haul or otherwise handle the goods of nonmember enterprises. The action of the unions in these cases, accord-

⁴⁵ The respondents in this case have petitioned the third circuit court to review and set aside the Commission's order of March 14, 1939.

ing to the Department of Justice, was accompanied by threats of injury, violence, sabotage, or other methods employed by persons labeled as "gangsters" and "gorillas." These cases involved the trucking, fur, and fish trades in New York City.⁴⁶

Two cases were instituted by the Department of Justice against associations in the business and professional service trades. In the case of the *National Retail Credit Association et al.* (petition, June 12, 1933) the members of respondent association (retail credit grantors, retail credit agencies, retail credit men's associations), in addition to allocating areas in which they might gather and sell credit information, were alleged to have agreed to refuse to give credit information to agencies other than members of the national association and to refuse to sell credit reports to other agencies for resale to credit grantors unless the vendees were members of the association. The result of these agreements, according to the Department of Justice, was a tendency to monopolize retail credit information in the association.⁴⁷ In the case of the *American Medical Association et al.* (indictment, Dec. 20, 1938) the Department of Justice alleged that to hinder and obstruct the operations of Group Health Association, Inc., a cooperative, risk-sharing association in the District of Columbia, the defendants had conspired to prevent the staff doctors of Group Health from consulting with member physicians of the defendant associations through instituting a boycott against Group Health doctors; had instituted disciplinary proceedings against two doctors on Group Health's staff, principally as the result of which one resigned from the staff and the other was expelled from the membership of the defendant Medical Society of the District of Columbia; and through a "white list" of approved groups and organizations and subsequent recommendations had—

coerced the Washington hospitals to boycott Group Health Association, Inc., and the doctors on the said Association's staff.

The case of the *American Sheet and Tin Plate Company* (F. T. C., docket 2741, Mar. 13, 1936) presents an interesting situation in which, according to the Federal Trade Commission, manufacturers of tin plate had entered into a conspiracy not to sell or quote prices on "stock plate," a trade name for overruns and seconds, to jobbers or manufacturers of tin cans and other metal containers. Subsequent to the agreement such plate was cut into shapes that could not be used by these purchasers. The Commission concluded that:

the result of the acts of the said respondents, as hereinbefore set out in paragraphs seventeen and eighteen, have been and now are to unduly tend to substantially lessen, restrict, and suppress competition in the interstate sale of tin plate throughout the United States, particularly in the sale of "stock plate" and to enhance the prices of said tin plate above the prices which had theretofore prevailed and which would prevail under normal, natural, and open competition between said respondents; and also tends to destroy the business of and force out of business the jobbers of tin plate; and also tends to create a monopoly in the manufacture of tin containers in the American Can Co. and the Continental Can Co. by depriving their competitors, the said small manufacturers of

⁴⁶ *Protective Fur Dressers Corporation et al.*, indictment, Nov. 6, 1933; *Fur Dressers Factor Corporation et al.*, indictment, Nov. 6, 1933; *Fish Credit Association, Inc., et al.*, indictment, June 5, 1933; *Market Truckmen's Association et al.*, indictment, Aug. 3, 1933. Similar to the charges in these cases in that the assistance of labor unions was enlisted, though no violence was alleged, were those contained in the petition of the Department of Justice against the *Textile Refinishers Association, Inc.*, May 1, 1936.

⁴⁷ On April 5, 1935, an information was filed charging certain of the defendants in this case with having violated the consent decree entered on October 6, 1933. A majority of these defendants pleaded guilty, *United States v. Hulse*, May 6, 1936.

tin containers, of their normal source of supply of tin plate. The said small manufacturers of tin cans and metal containers, who heretofore purchased their necessary supplies of "stock plate" through the jobbers of tin plate are now forced to purchase "production plate" at prices which are substantially higher than they were formerly required to pay and in fact higher than the price that is paid for the same product by the said American Can Co. and the said Continental Can. Co.

The Department of Justice in six cases has brought action against various interests in the motion picture industry. The leading case is *Paramount Pictures, Inc., et al.* (petition, July 20, 1938) in which all the major producers and distributors and their subsidiary and associated distributors and exhibitors were cited. The Department of Justice in this case alleged that the alliance between the producers and the affiliated and associated distributors and exhibitors has tended toward a monopoly in exhibition, to the detriment of independent exhibitors. It was charged that the producer-exhibitor defendants had tended to divide territory between themselves, had bought up independent theaters, and through various "distress methods," including among others threats to deprive independent exhibitors of desirable products, threats to build new theaters, and purchase of theater sites, had compelled independent exhibitors in some instances to sell or dispose of their theaters to them (the defendant producer-exhibitors). It was alleged, furthermore, that a series of harsh and onerous trade practices had been imposed upon unaffiliated exhibitors, including block-booking, forcing of short subjects and news reels, arbitrary designation of play dates, arbitrary and unreasonable clearance and zoning schedules, overbuying, arbitrary and discriminatory film rentals, prohibition of double features, score charges, and specification of minimum admissions. In addition, independent exhibitors, according to the petition, were discriminated against by reason of certain benefits, favors, and advantages granted affiliated exhibitors, among which were the sharing of advertising costs, optional contracts, contract modifications, granting of "overage" and "underage," permitting cancellations of short subjects, and "move-over" privileges. It was also asserted that a monopoly in the production of feature pictures was fostered by the respondent producer defendants through exclusive arrangements for the loaning and pooling of featured players, directors, technicians, and studio equipment.

In four of the five remaining cases local groups of unaffiliated, chain exhibitors in various parts of the country were charged with having conspired with major film distributors to obtain discriminatory and valuable advantages over independent exhibitors with respect to the exclusive use or choice of feature pictures, rentals, zoning, and clearances, minimum admission prices, exhibition of double features, contract options, and other matters. In some of the cases it was also alleged that the defendant exhibitors had attempted to force independent exhibitors out of business through such tactics as threatening to build, or building, new theaters, overbuying, cutting admission prices, and giving away large sums of money in the form of prizes.⁴⁸

⁴⁸ *Crescent Amusement Company, Inc., et al.*, Department of Justice, complaint, Aug. 11, 1939; *Schine Chain Theatres, Inc., et al.*, Department of Justice, complaint, Aug. 7, 1939; *Interstate Circuit, Inc., et al.*, Department of Justice, petition, Dec. 15, 1936; *United Theatres, Inc., et al.*, Department of Justice, petition, July 16, 1932. The fifth case, *Warner Brothers Pictures, Inc., et al.*, Department of Justice, petition, Feb. 25, 1936, implicated activities of several major distributors to gain possession of certain independent, exhibiting interests in St. Louis, Mo.

Elimination of design "piracy."

There are included in the survey two cases of concerted action intended to protect the creators of styles and designs. In the case of the *Millinery Quality Guild, Inc.* (F. T. C., docket 2812, May 21, 1936), respondents, it was asserted, organized to protect original millinery styles from being pirated by other manufacturers of women's hats. The Millinery Quality Guild, Inc., established and operated a department known as the "registration bureau," wherein members had the privilege of filing and registering their original models. It was mutually agreed that registration of members' models or designs by the bureau would constitute a conclusive determination that such designs were original and that thereafter any imitation or copying thereof constituted style piracy. The registered design was considered the personal property of the registrant. The members of the guild, and the affiliated respondent, Uptown Creators' Guild, according to the Federal Trade Commission:

are originators of the leading styles of the highest class ladies' hats and are manufacturers and sellers of the highest-class ladies' hats. No member of either Guild originates or manufactures hats to sell at wholesale at less than \$8 per hat. Said members of both said Guilds maintain designing departments and employ highly paid designers who are constantly engaged in the origination of new styles of hats. Such designers at intervals journey to Paris, France, to observe the trend of styles and to secure original French models, from which they later devise various adaptations which are called and known as "originations." The style element is the outstanding factor in the sale of ladies' hats and the late style hats, such as are sold and distributed by the members of both Guilds, are in great demand by the purchasing public throughout the United States. The respondent members of said Guilds are the recognized leaders in the field of ladies' hats so far as style and design are concerned and a majority of the high-grade retail dealers and outlets are required to procure at least some of their models from the manufacturers in one or both of said guilds in order to offer a full line of ladies' hats.

To make registration effective, the guilds and their members solicited and secured from a large number of retail customers their agreement to a so-called "declaration of cooperation." The "declaration" pledged the retailers to boycott all concerns that were guilty of design piracy. The guilds "compelled" and "coerced" retailers into signing the "declaration" with the threat of withdrawing the supply of original hats. No sales were made to violators of the agreement. Approximately 1,600 retailers in various States "co-operated." Customers were given warranties that the goods purchased from members and affiliated retailers were not copies. The Federal Trade Commission concluded that:

The capacity, tendency, purpose and result of the combination, conspiracy and agreement, and the acts and practices performed thereunder, by said respondents and the retail dealers hereinabove described, have been and now are to unduly and unreasonably restrain commerce by limiting manufacturers of stylish hats as to the outlets of their products and retail dealers as to the sources of supply; to deprive the public of the benefits of normal price competition among retailers of stylish hats by restraining said retailers, under threat of boycott, who desire to purchase the products of the members of the Millinery Quality Guild, Inc. and the Uptown Creators' Guild from making any purchases unless such retailers sign and enter into the guilds' agreements; to prevent retailers in stylish millinery from freely purchasing their requirements of said products in interstate commerce from the manufacturers thereof; to substantially increase the price of such hats to the retailers and to the consuming public; to place in the hands of the Millinery Quality Guild, Inc. control over the

business practices of the manufacturers of stylish hats for women and the power to exclude from this industry those who do not conform to the rules and regulations established by said Guild and thus to unduly and unreasonably restrain interstate trade and commerce in stylish millinery and to tend to create a monopoly in the said Millinery Quality Guild, Inc., its members and those cooperating with it.

The respondents were ordered to cease their boycott of noncooperating retailers. This order has been appealed by the respondents on the ground that activities to prevent style piracy are not unreasonable restraint of trade.

In the case of the *Fashion Originators Guild of America, Inc.* (F. T. C., docket 2769, Apr. 16, 1936), the respondent manufacturers and retailers of high-priced ladies' garments also were charged with having employed illegal methods in fighting design piracy. According to the complaint, this guild operates in much the same manner as the millinery guild. It includes the Textile Merchants Group and "affiliated" retail members, as well as the leading designers and manufacturers of ladies' garments. Manufacturers of garments were required to purchase their textile requirements from members of the Textile Merchants Group or from other cooperating importers or converters; and members of the Textile Group were required to register their designs and patterns with the Industrial Design Registration Bureau of the respondent National Federation of Textiles, Inc., an association of converters, dyers, and printers of silk and rayon fabrics, and to confine their sales of fabrics embodying such registered designs to the garment-manufacturer members of the guild. Sales of garments were confined to affiliated and cooperating retailers, who, in turn, refused to handle pirated goods. Professional shoppers, blacklists, fines, and penalties figured among the methods employed to enforce the program. In this case, also, the respondents have appealed the Commission's cease and desist order.

CHAPTER IV

TRADE PRACTICE ACTIVITIES OF THE SUGAR INSTITUTE

In chapter III it was shown that the objective common to a large majority of trade associations implicated in actions of the Federal Trade Commission and the Department of Justice in recent years was the control of price competition. For the most part, however, the records of these proceedings are singularly unproductive of facts concerning the market circumstances leading to the stabilization efforts, the reasons for the adoption of the particular pattern of control complained of, and the problems faced by the association in endeavoring to make their controls effective. As the result of extensive legal consideration over a period of 5 years, the record of the activities of the Sugar Institute¹ is more adequate in these respects than that of any other recent case dealing with the activities of a trade association. The present chapter attempts to summarize this record, particularly as it bears on the methods employed and problems encountered in the industry's attempt to achieve price stabilization through the control of trade practices.

The Sugar Institute was established early in 1928 and dissolved in 1936. Created with the unanimous support of the cane sugar refining industry, the institute began with a carefully formulated code of ethics and proceeded on the advice of skilled counsel. Sugar refiners allied in the institute above all were desirous of controlling the price of their product, which is a highly standardized commodity. Because base prices are customarily uniform, all producers selling the standard product at the same base price at the refinery, price competition makes its appearance in transportation terms, commissions, allowances, and other terms and conditions of sale offered to distributors and consumers.

Before the institute proceeded with its program it endeavored to provide against any weakening of its power to establish the intended controls. The members of the institute produced approximately four-fifths of all refined sugar consumed in the United States in 1927. Assuming the solidarity of the members, the institute went on to insure the cooperation of sugar producers accounting for the remaining one-fifth of American sugar consumption. The sellers of cane sugar that was refined "offshore," that is, in the cane-sugar-producing islands, subscribed to the institute's policies. The producers of beet sugar and some Louisiana "direct consumption" sugar producers who were organized in the Domestic Sugar Bureau, likewise followed the leadership of the institute. This left only a very small portion of available sugar capacity outside the purview of institute policy.

¹ The case of *Sugar Institute, Inc. v. United States* (1936), 297 U. S. 553, has been the subject of a number of commentaries, among which are James Lawrence Fly, "Observations on the Anti-Trust Laws, Economic Theory and the Sugar Institute Decisions," 45 Yale Law Journal, 1939, and 46 Yale Law Journal, 228 (1936); William J. Donovan, "Effect of the Decision in the Sugar Institute Case Upon Trade Association Activities," 84 University of Pennsylvania Law Review, 929 (1936); and Milton Handler, "The Sugar Institute Case and the Present Status of the Anti-Trust Laws," 36 Columbia Law Review, 1 (1936).

To stabilize price competition, the refiners endeavored to standardize trade practices. Because they might become the vehicle for special concession, quantity discounts were abolished altogether. The cash discount was fixed at the lowest prevailing level. Consignment points were limited, and transiting and diversion privileges restricted. Uniform freight charges were established, based upon rail rates. In the distribution of sugar, brokers, warehousemen, and dealers were required to elect but one of these functions. The customs of the industry with respect to datings, price guaranties, deferred payment, damaged sugar and frozen stocks, second-hand sugar, private brands, and tolling arrangements were reviewed and revised. The experience of this trade association illustrates the fact that the establishment of major controls often entails the imposition of a host of minor ones.

The refiners were not always aware of the implications of their own actions. In important instances in which the desired uniformity affected their own interests adversely, individual refiners displayed little hesitation in violating the institute's rules. When, for example, the institute attempted to establish a universally applicable system of freight charges, some refiners were forced to choose between loyalty to institute policy and retention of customers; their choice of the latter seriously jeopardized the institute's transportation control program. Violations of institute rules by refiners usually resulted in reconsideration of policy or personal efforts by the staff and industry members to restore compliance. When parties outside the institute violated its rules, the penalties tended to be more severe. Brokers, warehousemen, and merchants were listed as "approved" if they agreed to comply with institute policies; nonconformance resulted in their elimination from the approved list. The resentment of these interests welled up into numerous complaints to Congressmen, chambers of commerce, and Government agencies, the effect being to attract wide attention to the institute's activities.

THE SUGAR REFINING INDUSTRY

Sugar is derived from plant materials. Depending upon the source, there are many different types—dextrose, glucose, lactose, sucrose—but the most common is sucrose, which is easily derived from cane and beets. The process of separating sugar from the beets and cane yields raw sugar, which is semipure sucrose; the further process of refining the raw sugar results in 100-percent pure sucrose. This is the "refined" sugar in everyday use, a standardized product, which in appearance and properties is almost wholly the same whether its source is cane or beets.

A large part of the sugar used in the United States comes from cane grown in Cuba, Hawaii, the Philippine Islands, and Puerto Rico. The sugarcane is grown on plantations, where it is cut and taken to mills to be crushed and processed. The resulting coarse sugar is raw sugar; it contains about 4 percent of foreign matter. The general practice is for the sugar then to be shipped in this state to refineries in the United States, where the remaining impurities are removed and refined sugar is produced. The refineries market this sugar chiefly in hard, or granulated, form, but there are other types of refined sugar—as, for example, soft, or "brown," which contains certain nonsucrose substances—and there are various ways in which these sugars may be packaged for sale.

Approximately one-fifth of the refined sugar consumed annually in the United States in recent years has been derived from beets, which are grown principally in the States of California, Utah, Idaho, Colorado, Wyoming, Montana, Nebraska, Minnesota, Michigan, and Ohio. Beet sugar is entirely processed on the spot; a mill or factory on or near the farm derives raw sugar from the beets, and a refinery under the same roof by removing the impurities converts this into pure sucrose. Despite the fact that it is identical with refined cane sugar, this sugar produced from beets sells at a differential under refined cane sugar. Several explanations have been offered for this disparity: Custom dating from the days when beet sugar was not entirely purified in refining and had a distinctive appearance; prejudice among housewives against its use in preserving, canning, and jelly-making; and a desire on the part of the cane refiners that the beet producers each year should sell their limited supply of refined sugar quickly and leave the market to refined cane sugar.

A very small proportion of American sugar needs is supplied by sugarcane grown in the United States. This cane is grown principally in Louisiana and to some extent in Florida.

Sugar produced in the islands is to a small but increasing extent refined on the plantations there and shipped to the United States in refined form. The amount of refined sugar imported has been about 575,000 tons of the total of approximately 6,200,000 tons of refined sugar delivered annually for consumption in the United States in recent years. Domestic beet and domestic plantation cane sugar have accounted for approximately 1,400,000 tons; approximately 4,200,000 tons have been refined by American commercial refineries from imported raw cane sugar.

The American sugar industry has always enjoyed tariff protection, and imports of sugar refined abroad were not a significant competitive factor until the middle 1920's. In 1927 Cuba shipped approximately 122,000 tons of refined sugar to the United States; in 1929, 274,000 tons; and in 1933, 490,000 tons. Cuban imports have constituted nearly all the foreign shipments, and during the period 1934-38 represented approximately two-thirds of all offshore refined sugar, the remaining third coming from the United States insular possessions of Hawaii, Puerto Rico, and the Philippines. The Tariff Act of 1930 placed a duty of 2 cents on each pound of Cuban raw sugar, and 2.12 cents on each pound of Cuban refined sugar. The duty on 100 pounds of refined, therefore, was \$2.12, while the duty on the 107 pounds of raw required to produce 100 pounds of refined, was \$2.14. The Cuban duty was a preferential rate—20 percent under the full rate applying to the relatively small volume of sugar imported from other foreign sources. The Cuban Trade Agreement of 1934 brought the rate on raw down to 0.9 cent, and on refined to 0.954 cent. Foreign competition was brought under direct control by the Jones-Costigan Act of 1934 and the Sugar Act of 1937, which, among other things, established quotas on the amount of refined sugar, as well as raw sugar, allowed to enter this country. These quotas applied not only to Cuba but to the insular possessions, whose sugar is duty-free. The sugar quotas were suspended by proclamation of the President in September 1939, at which time the tariff on Cuban sugar was increased to 1.5 cents per pound on raw and to 1.59 cents per pound on refined; the quotas were subsequently restored.

Since the raw cane sugar that is refined in the United States must almost entirely be imported, the refineries are located in ports on the seaboard where delivery of raw material can easily be made. They are in, or in the immediate vicinity of, Boston, New York, Philadelphia, Baltimore, Savannah, New Orleans, Galveston, and San Francisco. The Atlantic seaboard refiners supply the East and Southeast; the Gulf refineries supply the South and Southwest; and the California refineries supply the Pacific States. Competition between beet and cane sugar occurs at the periphery of the beet sugar area, which extends from the Middle West and South Central States to the Pacific coast. As the Atlantic cane refineries attempt to extend their distribution into the interior, they increasingly meet not only beet sugar competition but the extended sales areas of refineries on other coasts; thus the Chicago and upper Mississippi Valley areas are the meeting places of beet sugar and of cane from the Atlantic, Pacific, and Gulf coasts.

The cane sugar refiners, for the most part, sell at a "basis" price, which is a refinery f. o. b. price. Uniformity in the "basis" price results from the practice of matching prices on the standard commodity; whatever differences in selling prices occur come about through differences, not in the "basis" price, but in discounts, freight applications, storage and other allowances, and other terms and conditions of sale. Sugar is sold by refiners on what are called "moves." The principle behind the move system, which is customary in the sugar refining industry, is that when the refiners announce higher prices to prevail within a day or two, buyers purchase sufficient sugar at the old price to last them for a period which in the past has been one of approximately 30 days. The announcement of a higher price usually is made by one refiner; the others either quickly make similar announcements of a like increase or take no action at all. In the latter event, the first refiner retracts his announcement. However, when a decrease in price is announced by one refiner, all others are likely to follow suit at once. The amount of selling that occurs between moves has been slight compared to the amount that takes place on moves.

The price involved in these moves is the "basis" price. It is the quotation on the standard item—granulated sugar in 100-pound bags—and does not include the various terms and conditions of sale. At stated differentials the buyer has the privilege of taking soft sugars and various forms of lump and packaged sugar. Not all refiners produce a full line of packages, quantities, and forms, although all sell 100-pound bags of granulated and soft sugar. Through advertising, the makers of packaged sugar have built up considerable preference—as for "Domino" and "Jack Frost"—among ultimate consumers. Similarly, a preference has been created for lump sugar, which commands a higher price.

The customers of refineries are principally of two types, representing the use of sugar as a constituent of food products and its direct use by the ultimate consumer. Manufacturers of baked goods, confectionery, and soft drinks, are examples of the first group, chain and wholesale groceries, of the second. Refiners customarily sell to these customers through brokers and for convenience in distribution maintain stocks of all their types of sugar at interior "consignment" points, where warehouses are rented for this purpose. As between

the wholesaler, broker, and warehouseman there has in the past been a considerable overlapping of functions.

About 70 percent of the annual consumption of sugar is direct, that is, household and table use; the remaining 30 percent is almost entirely consumed by manufacturers of various food products. Per capita consumption of sugar in the United States rose 400 percent between 1850 and 1909, and by 1925 a further increase of 25 percent had been registered. Total annual consumption since 1925 has remained at a level of about 6,000,000 short tons, and because the population has increased in the meantime, per capita consumption of sugar has declined slightly. The sizable and steady annual increases in the late nineteenth century, and the more recent deceleration and cessation of this annual growth in per capita consumption, have had a serious effect upon the refining industry. The industry by 1914 had become conditioned to increasing consumption and anticipated gains when planning productive capacity. The World War strained existing capacities and brought about further expansion. When the war emergency had ended, the industry returning to "normal" found that the normal situation was one of relatively stable demand. The result has been a condition of continuing overcapacity.

Early in 1887 there were 23 independent sugar refining companies. With the exception of 1 company which operated 3 factories, and another which operated 2, these refiners had 1 plant each; the total number of refineries was 26. No one company accounted for more than 17 percent of the total production. In August of 1887, this pattern was drastically changed when, under the leadership of Henry O. Havemeyer, 17 of these companies combined to form the Sugar Refineries Co. This new organization represented a large proportion of the total production of the industry. It was capitalized at \$50,000,000, in the form of negotiable trust certificates that were exchanged for the capital stock of the companies, which totaled in value about \$6,000,000; control was vested in a board of trustees. The immediate result was the consolidation of production in 4 of the 20 refineries originally acquired, the remainder being dismantled or discontinued. The operating plants were located in Brooklyn, Jersey City, Boston, and New Orleans. In January 1888, control of one of the remaining independents, the American Sugar Refining Co., whose plant was in San Francisco, was secured by the trustees of the Sugar Refineries Co.

In 1890, the year in which the Sherman Antitrust Act was passed by Congress, it was ruled by the New York State Court of Appeals that the transfer to the trust of one of the plants involved in the original merger was a violation of its franchise. In view of this development, the trustees, in 1891, incorporated in New Jersey the American Sugar Refining Co., also capitalized at \$50,000,000. The trustees' certificates of the Sugar Refineries Co. were exchanged for stock in the new corporation; the trustees became its board of directors; and with Henry O. Havemeyer as president, the trust continued operation in a new guise. Remaining outside the combination were 5 major independents—1 in San Francisco, 1 in Boston, 3 in Philadelphia—and 2 small Louisiana cane refineries, Godchaux and William Henderson, which had been established in 1868 and 1875, respectively, and were under close family ownership and control. The total daily melting capacity of the independents was about

4,000,000 pounds as against approximately 12,000,000 represented by the combination.

Within a few months after the formation of the American Sugar Refining Co., the most aggressive independent competitor, the Spreckels brothers, combined with it, exchanging their San Francisco plant for stock in a specially created operating subsidiary (Western Sugar Refining Co.) of American and selling the control of their new Philadelphia refinery. Early in 1892 American secured control of the three independent refineries in Philadelphia—Franklin, Delaware Sugar House, and E. C. Knight. This left, of the original 23 companies, only the Boston independent, with a daily melting capacity of only 400,000 pounds, outside the combination, which held 90 percent of the total refined sugar production of the Nation. The Government accordingly filed suit under the Sherman Act in the E. C. Knight case, wherein the Supreme Court in 1895 held that a tendency toward monopoly was present but that sugar refining was manufacture and not interstate commerce within the meaning of the act. In the meantime American had begun buying the stock of a new competitor, the Baltimore Sugar Refining Co.; it subsequently caused that refinery to be dismantled.

As the original combination developed, new competition arose, both from interests that saw possibilities of profit in refined sugar at high prices and from those that anticipated profit in selling their competitive plants at good prices to American. In addition to Baltimore, which entered the industry in 1889, there were Mollenhauer in 1891, W. J. McCahan and National in 1892, United States in 1895, and New York in 1897. American bought the United States refinery in 1897 and dismantled it. In 1900 American formed a new corporation, the National Sugar Refining Co. of New Jersey, which purchased the existing National, New York, and Mollenhauer companies, with the controlling interest held by American. Also in the same year the new National Co. purchased 25 percent of the stock of McCahan.

While American was following a policy of combination and control of competitors it entered, in 1894, into an agreement with practically all of these competitors for the restriction and allocation of production and the fixing of prices. This action antagonized a powerful customer, Arbuckle Bros., coffee merchants, who in 1898 entered the refining industry. Despite a bitter price war and the retaliatory entrance of American into the coffee business, Arbuckle survived as an independent. In 1901 American launched a campaign against beet sugar competition, first by a price war against the 31 beet sugar producers, and then by a series of stock acquisitions, which in the next 10 years secured for American an average of 41 percent of the capital stock of 11 companies producing about half of the total beet sugar supply.

New competition in cane sugar refining continued to appear. The Colonial Sugar Co. was incorporated in 1902 and remained independent until 1908, when it was bought out by the Cuban-American Sugar Co., a raw sugar producing corporation, which appears to have had ties with American and National. Federal also began operations in 1902, under C. A. Spreckels, and remained independent. In the West, where competition seemed to have been ended with the merger in 1891 of the Spreckels brothers and American in the latter's sub-

sidiary, Western Sugar Refining Co., the California & Hawaiian Sugar Refining Co. made an appearance in 1897. In 1903 Western drove this competitor to the verge of insolvency in a price war, which was settled by an agreement whereby Western bought California & Hawaiian's stock of refined sugar and paid it \$200,000 per year to remain totally inactive for 3 years. Also in 1903, when the Pennsylvania Sugar Refining Co. was about to open a new refinery in Philadelphia as a competitor, representatives of American by a series of involved legal and financial transactions enmeshed the principals in complications that prevented the operation of the plant. The receiver of a Philadelphia bank that closed as the result of the defalcations and suicide of its president, who had backed the new refinery, brought action for triple damages under the Sherman Act against several directors of American. This case went to the Supreme Court, which distinguished it from the E. C. Knight case, whereupon the Government in 1909 secured an indictment. The subsequent trial ended in a disagreement by the jury and the filing of nolle prosequi in 1912.

One of the chief results of the refiners' actions in the early 1900's was unfavorable publicity. An extensive public reaction against the sugar industry arose, and in November 1910 the Government filed civil suit against the American Sugar Refining Co. under the Sherman Act in an effort to obtain its dissolution. In 1911 the Hardwick committee—"Special Committee to Investigate the American Sugar Refining Company and Others"—began a series of hearings for the House of Representatives. Although the investigation itself produced no definite result, the thought being to await the outcome of the Government's suit, its findings were a condemnation of the practices of the American Sugar Refining Co. While the investigation was in progress American sold its stock in Western to John D. and Adolph Spreckels. California and Hawaiian became an independent operator, as did Pennsylvania, which was reorganized in 1912. The Warner Sugar Refining Co., which had entered the field in 1908, remained independent, as did another small refiner located in Sugar Land, Tex., which appears to have been a predecessor of the present Imperial Sugar Co. American also began to divest itself of some of the holdings in beet sugar companies about this time and apparently abandoned its effort to control the entire industry. The Government suit of 1910 came to a conclusion when in 1922 American consented to a decree enjoining it from holding more than 25 percent of the stock of National, 31 percent of Great Western, and 34 percent of the Michigan Sugar Co.; the last two-named were beet sugar companies. The proportions held previous to the decree were 51 percent, 65 percent, and 40 percent, respectively. Not only did the company's influence in the beet sugar field decline after 1911, but also its percentage of total cane refining production was reduced.

The general effect of the World War upon the refining industry was to bring about plant expansion by virtually all refiners. Moreover, in 1916, another newcomer, Savannah Sugar Refining Corporation, was organized, and in the following year its new plant, with a daily capacity of 2,500,000 pounds, went into operation. In 1924 the Texas Sugar Refining Co., of Texas City, was organized, with a new plant of 1,000,000 pounds daily capacity, under an arrangement with American whereby the latter was to supply raw sugar and to market the

refined. Thereafter, expansion of productive capacity seems to have ceased. In early 1927 National was permitted by the courts, through a modification of the 1922 decree, to absorb the moribund Warner Co. Federal went out of business in 1929, and its successor, the Spreckels Sugar Corporation, ceased operations in 1930. Texas was reorganized in 1929, and the successor, Texas Sugar Refining Corporation, itself went into the hands of receivers in 1932. The Revere Sugar Refinery, of Boston, successor to the original independent which in 1887 and afterward refused to join the trust, is owned by the United Fruit Co. California & Hawaiian is owned jointly by a number of Hawaiian producers whose raw sugar it refines.

In the three decades following its victory in the *E. C. Knight* case in 1895, the American Sugar Refining Co. slipped from a position of control of over 90 percent of production to one simply of leadership of a number of smaller competitors. A relatively fixed volume of business was divided among more refiners, each equipped to produce considerably more than it could sell. Beet sugar competition had not been successfully restrained. Imports of refined sugar, sold in the United States by four local agencies—H. H. Pike & Co., L. W. & P. Armstrong, Lamborn & Co., and Lowry & Co.—increased, stimulated by the Hershey Co.'s construction of a Cuban refinery. As American's control declined, competition in the industry increased, and competitors outside the domestic cane refining industry strengthened their positions. American, however, remained unique in that it owned several modern plants, located so as to compete in practically every territory, a producing subsidiary in Cuba, and a cooperage plant; it was better integrated as well as larger than any of its competitors.

The situation of the industry in 1927, the year in which the Institute was in process of formation, was the point of departure in the Government's action against the Institute. In that year there were 15 companies, which refined virtually 100 percent of the raw sugar imported into the United States and provided over 80 percent of the refined sugar consumed in the country. Of the total consumption in that year, domestic cane sugar refiners accounted for 82.5 percent, beet sugar producers for 14.4 percent, foreign and insular cane sugar refiners for 2.8 percent, and Louisiana cane producers for 0.3 percent. The importance of each of the 15 refiners is indicated by their relative proportions of total production in 1927.

<i>Cane sugar refiners</i>	<i>Percent of 1927 production</i>
American Sugar Refining Co. (5 plants—Boston, New York City, Philadelphia, Baltimore, and New Orleans).....	25.06
National Sugar Refining Co. of New Jersey (3 plants—New York City area)	22.07
California & Hawaiian Sugar Refining Corporation, Ltd.....	10.84
Pennsylvania Sugar Co.....	6.73
Arbuckle Bros.....	5.80
Western Sugar Refinery.....	4.46
Godchaux Sugars, Inc.....	4.02
W. J. McCahan Sugar Refining & Molasses Co.....	3.60
Savannah Sugar Refining Corporation.....	3.26
Revere Sugar Refinery.....	3.20
Imperial Sugar Co.....	3.00
Spreckels Sugar Corporation.....	2.66
Colonial Sugars Co.....	2.33
Texas Sugar Refining Corporation.....	1.84
William Henderson.....	1.13

The World War had been a period of prosperity for all the refiners. America's entrance brought an emergency status for the sugar refining industry and required Government participation, which guaranteed against further antitrust action. The refiners' margin had declined in the years following the Government's dissolution suit against the American Sugar Refining Co. and the congressional investigation, but it rose sharply in 1914. The rise continued in 1915; the margin went slightly above 1 cent per pound in 1916, and further increases took place until 1920. In that year the Federal Trade Commission reported that "in the face of rising costs, the published statements of some of the refinery companies, which have not been verified by the Commission, show increases in net earnings for 1919 over 1918 ranging from 50 to 190 percent." From September 1917 to December 1919, the industry was under the control of the Food Administration. The Sugar Division of the Administration was headed by a refiner, George M. Rolph, of California & Hawaiian. This Sugar Division was later supplanted by the Sugar Equalization Board, but one of the functions of each agency was to recommend a refiner's margin to be established by the Food Administrator, Herbert Hoover. The margin was established first at 1.3 cents per pound, then at 1.45 cents, and, finally, at 1.54 cents. Thus, in 3 years of capacity production, the refiner's margin increased by approximately 50 percent.

In 1920, Government control was relinquished. Demand for refined sugar fell off, and violent fluctuations in the price of raw sugar occurred. The situation was so confused that the refiner's margin for that year could not be calculated, but in terms of profits all refiners suffered heavily. The margin immediately thereafter did not drop drastically; it was 1.44 cents per pound in 1921 and ranged from 1.27 to 1.50 cents during the next 3 years. The main problem faced by the industry in this period was the adjustment of expanded capacity to reduced demand. That adjustment was not successfully achieved, and in 1925, 1926, and 1927 the margin was respectively 1.14, 1.13, and 1.09 cents per pound. Thus, in 1927, the refiner's margin stood at its lowest point since 1916, and the industry was producing at only about 60 percent of capacity.

FORMATION OF THE SUGAR INSTITUTE

The withdrawal of Government control in 1920 signaled the end of wartime prosperity for the sugar refining industry. It marked the end of extraordinary demand for refined sugar, of capacity production, and of a fixed refiner's margin. Thereafter the refiners were increasingly to compete among themselves and with beet sugar producers and offshore refiners for shares of a reduced volume of business calling for only a partial use of total refining capacity.

Since the industry's product is standardized, competition falls mainly into the realm of price, and because each refiner is required to match his competitors' "basis" prices, he is forced to seek means outside the "basis" price if he wishes to build up his share of the total sales of refined sugar through price reduction. The means used may include larger commissions to brokers, lower freight charges, higher fees to customers and brokers for use of their warehouses as consignment points, special allowances for services performed by the cus-

tomer, or other concessions in terms and conditions of sale. If these special arrangements and concessions become known, like the basis price they also will be matched by competitors.

Beginning in 1921, refiners seriously competed for additional business for their one-third or greater idle capacity. Most of them offered to desirable customers special concessions in terms and conditions of sale. They endeavored to keep these concessions secret, both from other refiners who might match them and from other customers who might demand them. The "basis" prices were thereby increasingly deprived of meaning as an index of actual prices to customers. Some of the forms which concessions took included:

- Split brokerage, whereby brokerage fees were paid in part to purchasers.

- Storage concessions, whereby a refiner stored sugar with a prospective purchaser in advance of the actual sale and paid a storage fee.

- Absorption of freight charges, whereby the customer was billed for delivery from a consignment point instead of f. o. b. refinery, or goods delivered over a certain route were billed as shipped over a less expensive one.

- Substitution of more expensive types and packages on orders billed as consisting solely of granulated sugar in 100-pound bags.

- Delayed billing to extend the period of cash discount.

- Excessive advertising allowances.

- Options to buy at the lower previous price after an announced advance in the basis price had taken effect.

- Absorption of brokerage charges on resales of second-hand sugar, with a loose definition of such merchandise.

- Absorption of trucking charges, giving store-door delivery at no extra expense to the customer.

- Split billing, whereby less-than-carload orders were given the benefit of carload freight rates.

Although most refiners made these secret concessions to customers who claimed that they were being offered by competitors, there were some refiners who refused to depart from their announced prices, terms, and conditions for the special benefit of particular customers. These were Arbuckle, California and Hawaiian, Henderson, Revere, and Western; they were termed the "ethical" refiners in the industry. These "ethical" refiners maintained their terms and remained in competition by meeting secret price concessions with open reductions. By 1927 at least 30 percent of the total deliveries of sugar was sold on the basis of secret concessions. These concessions were the result of the refiners' hunger for business and of the buyers' insistence. The large buyer enjoyed a more favorable bargaining position than did the small buyer, but any buyer could effectively represent that concessions had been offered him by a competing refiner.

In 1927 sugar consumption fell off, in part at least as a result of a "slimness" campaign among the public. Cigarette advertising directed dieters away from sugar. Although the sugar refiners were operating at less than two-thirds of capacity, they found themselves overproduced and resorted to price cuts and further concessions to market the surplus. Several, including both "ethical" and "unethical" refiners, suffered losses that year, and the Warner Co. went out of existence.

In June of 1927 a group of refiners met to study the situation. These were Earl D. Babst of American, James H. Post of National, Manuel Rionda of McCahan, Rudolph Spreckels of Federal (reorganized in 1929 as Spreckels), Frank Lowry of Pennsylvania, and Wilbur L. Cummings, of the law firm of Sullivan & Cromwell. A plan for organizing a trade association was favorably considered. In September, drafts of the certificate of incorporation and bylaws of the proposed association were submitted to the Department of Justice, and all refiners were invited to send representatives to a meeting to be held in December. The December meeting, which extended over several days and was attended by the entire industry, was for the purpose of drawing up a statement on trade practices, to be submitted to the Department of Justice along with the certificate of incorporation and bylaws of the association. This was done, and Cummings, Babst, and Post early in January conferred with the assistant to the Attorney General in charge of antitrust matters on the legal acceptability of their trade practice rules, or "code of ethics." On January 7, 1928, another meeting of the refiners was held, at which the code was adopted and the Sugar Institute formally organized.

The originators of the institute were all connected with "unethical" refineries. In the institute they took a commanding role: Babst became president; Post, chairman of the board; Rionda, treasurer; Spreckels, a director; and Cummings, general counsel. For executive secretary they selected Sidney Ballou, a former judge in Hawaii, who at the time was general counsel of California and Hawaiian, an "ethical" company and the only one that did not in 1928 join the Institute. The founders later explained that they had been ashamed of their unethical practices, that they were afraid that the industry was becoming demoralized through the spread of secret concessions granted by "unethical" refiners, and that they had been in constant fear of prosecution under the Clayton Act for unlawful discrimination in the granting of these concessions, which had the corollary effect of tending to create monopolies by favoring certain distributors over others. Their purposes in organizing the institute were, they said, to bring about (a) the selling of sugar on open, publicly announced prices, terms, and conditions; (b) the gathering of trade statistics not previously available; (c) the elimination of practices deemed wasteful; and (d) the institution of an advertising campaign to increase consumption.

The delay of California & Hawaiian in joining the institute was the result of a concurrent growth of trade association sentiment among beet sugar producers and of California & Hawaiian's desire to remain on the best of terms with beet sugar as well as cane sugar interests. At the time the discussions that resulted in the Sugar Institute were taking place a parallel move was under way for the formation of an association of beet sugar and Louisiana cane sugar producers. George Rolph, president of California & Hawaiian, attended the beet sugar group's meetings and sent his counsel, Judge Ballou, to the cane-refiners' deliberations. Rolph was of the opinion that the beet and Louisiana cane producers considered themselves allied in interest but would not consider a union with the cane refiners, their competitors. California & Hawaiian, whose most severe competition came from

beet sugar, was sufficiently interested in gaining the good will of the beet sugar group to be willing to dissociate itself from the other cane refiners. Therefore this company joined the Domestic Sugar Bureau, the association of beet and Louisiana cane producers, which was established in early 1928, and refused invitations to join the Institute. Rolph did, however, state a desire to bring beet and cane interests into one association, and California & Hawaiian joined the Bureau with the proviso that if the Bureau as a whole did not join the Institute within 2 years, California & Hawaiian might do so individually, which it eventually did, in October 1929. The Bureau represented 80 to 90 percent of total beet sugar production and about 30 percent of Louisiana cane production. Although none of the beet companies east of Chicago was included in the membership, the only important nonmember producer was the Michigan Sugar Co.

The Domestic Sugar Bureau adopted a "code of ethics" patterned after that of the Institute and almost identical with it. A differential in price between cane and beet sugar was stabilized at a figure greater than the prevailing one, although there is no evidence of an agreement between the bureau and the Institute on this point. The standard selling price of beet sugar became 20 cents per hundredweight below the price of cane sugar, whatever the latter might be. This in effect divorced the cane refiners from price competition with the beet producers. The executive secretary of the Institute explained the action with the statement that "The beet companies have a certain amount to sell and no more, and the increase of their differential simply means that they sell it and sell it in a shorter time than they might otherwise have done." California & Hawaiian protested this increase in the differential, but could influence neither the members of the Bureau, who profited by it, nor the Institute members, who were acquiescent. The Bureau carried on a program parallel to that of the Institute. There was very close cooperation and exchange of information; joint assistance was given, and meetings of the executive personnel of the two associations were held frequently. When the Institute issued interpretations that amounted to changes in its code, the Bureau did likewise with respect to its own code.

Somewhat the same arrangement obtained with respect to the competing, offshore refined sugar. The lesser differential in price that was customary in this case became stabilized at 5 cents per hundredweight, and close cooperation resulted between the Institute and the agents selling offshore refined sugar—Lamborn, Lowry, Armstrong, and Pike. This differential, however, was not granted to sugar refined in Cuba by the Hershey Co.

The Institute staff was headed by Judge Ballou, at a salary of \$75,000 per annum, until his death in October 1929. Ballou was succeeded by his assistant, Fred G. Taylor, a former beet sugar man, whose salary was \$25,000. Total personnel numbered about 20, and expenses, exclusive of advertising, amounted to about \$200,000 annually during the first 3 years. The Institute in an effort to increase consumption and ward off such attacks as that experienced in 1927 from the tobacco industry assessed members 15 cents per ton for an advertising campaign for the benefit of the industry. In 1929 it spent about \$700,000 for advertising and in the following year about \$650,000.

TRADE PRACTICE ACTIVITIES OF THE SUGAR INSTITUTE

Relations with the Department of Justice.

At the very outset, the legality of Institute activities was of primary concern to the refiners. Following the second of the pre-Institute conferences in the summer of 1927, Cummings visited Washington to secure Government sanction for the proposed association. He was referred by the Department of Commerce to the Department of Justice, where he left with William J. Donovan, assistant to the Attorney General, drafts of the certificate of incorporation, bylaws, and proposed code of trade practices. When the December deliberations of all the refiners had resulted in the formation of a tentative "code of ethics," the meetings were recessed while Babst, Post, and Cummings went to Washington to show the proposals to Donovan and his assistants. Following a talk on January 4, 1928, some revisions were made, and the materials were again examined by Donovan. On January 7, the refiners held an organization meeting, creating the Sugar Institute with bylaws and a code of ethics. Newspapers reported this event with comment to the effect that the institute had the approval of the Department of Justice. Donovan, noting the newspaper accounts, wrote to Cummings protesting such an interpretation of their conferences and disclaiming any such authority to approve. Cummings said in reply:

I judge that you are satisfied that neither we nor any member of the Institute is responsible for any of the statements made in the newspapers to the effect that your office has approved the plan of the Institute.

Later it was claimed by his firm that formation of the Institute came about "under the aegis of the Department of Justice" and that the Attorney General's office "had approved and helped to frame" the code.

In a letter to Cummings, Donovan, on January 26, gave a cautious sanction to the code of ethics, based upon his understanding of the purposes of the Institute and his opinion that, as long as the combination entailed no restraint of trade the situation would not warrant the institution of antitrust proceedings. However, in the absence of further information from the Institute regarding its activities, doubts arose in the Department of Justice. Complaints were received from sugar distributors and from Congressmen who had received complaints from sugar dealers in their districts. Horace R. Lamb, who had been assigned by Donovan to the Sugar Institute matter, conferred several times with Ballou and Cummings on these complaints. Late in May, the Antitrust Division sent Simon N. Whitney, an economist, to investigate the Institute files. The resulting report of June 14 in the main accepted the Institute's explanation of its activities but expressed concern over the increase in the refiner's margin that had occurred since the formation of the Institute. On October 18, Lamb asked to be removed from the investigation on the ground of—

personal association as counsel for at least one sugar company and with counsel engaged in the preliminary work in organizing the Institute before I became engaged in Government work.

He had previously been employed by Sullivan & Cromwell, where he had assisted Cummings on trade association matters.

After some further study of sugar prices and movements of the refiner's margin, Whitney, without returning to the institute files, wrote a second report dated December 1, 1928. Donovan transmitted this to the institute for its criticism and response, and there was no further activity respecting the Institute on the part of the Antitrust Division until a rejoinder was received 7 months later, on August 9, 1929. By that time Donovan had been succeeded by John Lord O'Brian, and James Lawrence Fly subsequently handled the matter of the Institute. Fly visited the Institute briefly in December and looked into its operations. The Federal Trade Commission meanwhile was carrying on a separate investigation, in the course of which it received a number of complaints from sugar dealers, Congressmen, chambers of commerce, transportation agencies, grocery associations, and other individuals and organizations. However, no cane sugar refiner or beet producer complained of the Institute's actions.

The Institute itself merely forwarded to the Department of Justice printed copies of its interpretations and rulings as they appeared. Meetings of the board of directors, composed of one ranking executive from each member company, were held monthly, and the executive committee of the board met weekly. The minutes of the 1927-28 pre-Institute meetings were never discovered, but minutes were issued for all meetings under the Institute. A representative of the Institute's counsel, Sullivan & Cromwell, was always in attendance, and it was the practice to submit the minutes to counsel for approval before their publication.

In June 1930, the Federal Trade Commission completed its investigation, which was made available to the Department of Justice. Fly dispatched an agent of the Federal Bureau of Investigation to the Sugar Institute, where he spent a month, in November and December, reviewing files and records. Other Bureau agents investigated complaints at their source, and extensive collection of evidence was begun.

Early in February 1931, John Lord O'Brian recommended to the Attorney General that the Government file suit against the Sugar Institute. This action was authorized; Fly and Walter L. Rice prepared a petition. Cummings was advised of the contemplated suit, but there was some delay before he returned from Europe to confer with O'Brian, Fly, and Rice. At this conference Cummings stated that if the complaint concerned only a few specific practices the Institute would consider their removal but that if it went deeper into fundamentals the best procedure would be to let the courts decide. The failure of the Institute to keep the Department fully advised concerning practices that were outside the scope of the code he ascribed to the change of Department personnel. Petition was filed in the District Court, Southern District of New York, on March 30, 1931.

Code of ethics.

The code of ethics, or statement of trade policy, was adopted coincident with the creation of the Institute, and read as follows, two later changes being noted in brackets:

CODE OF ETHICS OF THE SUGAR INSTITUTE, INC.

Among the purposes for which the Institute was formed were the following: To promote a high standard of business ethics in the industry; to eliminate trade abuses; to promote uniformity and certainty in business customs and practices; and to promote the service of the industry to the Public.

Accordingly, the organization of this Institute was a frank recognition, in and of itself, that customs and practices had grown up in the industry which were unsound and unbusinesslike, and which were harmful to producers and consumers alike. These customs and practices had resulted in confusion in the trade and discrimination as between purchasers, with a consequent uneven and uneconomic distribution of sugar to the public. The more important result to the industry was a demoralization and restriction of the retail trade in sugar and a retardation of the normal increase of consumption.

Believing that the trade will welcome a rectification of those business methods of the industry which have served to promote discrimination between purchasers; and believing that the public will be better served if the present channels of distribution are preserved and enlarged by maintaining equality of business opportunity among merchants of sugar; and believing that the members of the industry will recognize that it is in the interest of the industry to encourage and promote the wider distribution of its product to the end of increasing its consumption;

The Institute declares its policy to be founded upon, and recommends to its members the adoption of business methods in accordance with, the following principles, to wit:

1. All discriminations between customers should be abolished. To that end sugar should be sold only upon open prices and terms publicly announced.

2. The business of the sugar refining industry is that of refining a raw product, the price of which to the industry is the controlling factor in the price which the industry receives for its own refined product; and the industry as a purchaser of raw sugar receives no concessions for quantity purchased. Concessions made by the industry for the quantity of refined sugar purchased have resulted in discrimination between customers, which discrimination the Institute believes it to be in the interest of the industry, of the trade, and of the public to avoid. The Institute accordingly condemns as discriminatory, and insofar as this industry is concerned, as unbusinesslike, uneconomic and unsound, concessions made to purchasers on the basis of quantity purchased.

3. The following trade practices if not uniformly employed with all customers of a refiner are discriminatory. Furthermore, if not secretly employed they will of necessity be generally demanded, with the result that they must then be uniformly employed or abandoned. If uniformly employed they amount to a general price concession which should frankly take the form of a price reduction. The Institute condemns them as unethical except when practiced openly; as discriminatory unless uniformly employed; and in any event as wasteful and unbusinesslike.

(a) Variations from the open and publicly announced prices and terms; including (but without limiting the generality of this clause) the following:

Special allowances by way of discounts, brokerage, storage, or advertising; variations from openly announced grade or package differentials; reduction or substitution of grades or packings; delayed billings; full discounts in cases of delayed payment; and rebates or other allowances by any name or of any nature.

(b) Split billings, except on cars moving on an 80,000-pound minimum and rate.

(c) The use of differential rates on consignments, or otherwise than on direct shipments over differential routes at customers' request.

(d) Payment of brokerage where any part thereof inures to the benefit of the purchaser.

(e) Storage of sugar in customers' warehouses. [Amended to read: "Storage of sugar in warehouses in which customers or brokers are interested, or with which they are in any way affiliated."]

(f) Allotments to brokers running beyond the close of business of the day on which an advance in price is announced by the refiner.

(g) Special services to customers without appropriate charges therefor.

(h) The sale of second-hand sugar by refiners.

(i) Sales for export under contracts which do not provide for shipment out of the country.

4. The factors which enter into and determine the cost of his product for the refiner are so largely outside his control, and the probable margin of his profit

so small, as to render highly speculative and unsound the giving by him of options to purchase his sugar. Furthermore, unless equally available to all customers alike, the giving of options is discriminatory. The Institute condemns the giving of options by refiners.

5. In the interest of a more even distribution to the trade the Institute recommends that sugar shall be consigned only to recognized detention points for reshipment, or to recognized markets and then in care of railroad or steamship lines or to public or brokers' warehouses, and that the control of the sugar shall remain with the refiner. [Amended by deletion of the words "or brokers."]

6. The Institute recommends the use by members of uniform contracts to be adopted by the Institute for Eastern, Southern, and Western markets.

The code admittedly represented an effort to wipe out the practice of secret concessions to buyers, which was undermining the price structure of the industry. The refiners explained it as being to the sugar refining industry what the Federal Trade Commission represented to all industry—an effort to prevent discrimination and unfair trade practices. The Department of Justice, however, was convinced that the actions of the industry under the code indicated less of a desire to eliminate unfair discrimination than an attempt to eliminate price competition. And the report of the Federal Trade Commission's investigation commented on "the so-called Code of Ethics" as—

a plan and scheme whereby each member, regardless of where it is located or where it sells, provides its commodity, sugar, to all purchasers thereof at all points in the United States at a uniform price, transportation considered. * * *

The Institute's program of activities, outlined in the code of ethics, called for the abolition of secret price concessions in all their forms. This was a large undertaking, and the Institute proceeded at once to remove the refiners' suspicions of one another and to develop their confidence in the efficacy of the trade association. The first objective was brought about largely through frequent personal contacts in the board of directors and committee meetings and through constant communication of institute personnel with the members. In persuading President Rolph of California and Hawaiian to enter the institute, Judge Ballou stressed the fact that—

in the absence of such membership it was impossible to build up a feeling of trust and cooperation to replace the atmosphere of suspicion and distrust from which the industry had suffered so long.

He added:

There is no substitute for personal contact in this regard. I have seen such repeated personal contact change men like Bruyn, of National, and Cody of Arbuckle, from open hostility to the institute to its ardent supporters and best workers.

The other immediate objective, confidence in the Institute, was undoubtedly aided by a quick increase in the refiner's margin. Just prior to the incorporation of the association the margin was about 0.95 cent per pound, considerably below the average of 1.098 cents for the year 1927. In January 1928 when the Institute was established, the margin rose to 1.17, and 3 months later it was 1.38 cents. The average for the year 1928 was 1.311 cents, the highest level since 1924. The net profit of all the members that year, according to its consolidated statement, which included California and Hawaiian, was \$16,642,575. This figure for the first year of Institute operation contrasted very favorably with the 1927—pre-Institute—industry loss of \$250,396. There can be little

doubt but that the impetus so afforded the Institute at the outset did much to overcome latent objections on the part of some members, objections that were to be manifested later in resistance to some elements of the Institute's program.

Trade statistics.

The trade statistical services of the Institute were a subordinate part of its activities. The only statistics disseminated in the trade generally were weekly reports of total melt (production) and total deliveries, together with monthly reports of deliveries of all sugar showing the relative amounts of domestic cane, beet, and offshore refined sugar. Despite many requests by trade publications, it was not until suit had been filed by the Government that the Institute gave out other data; then it released combined statistics on total consumption of all sugar by States, together with per-capita consumption by States, for 1928, 1929, and 1930.

Statistical services for the refiners' exclusive use were more extensive. Each refiner received an individual weekly report of total weekly melt, deliveries, and stocks on hand, his own percentages of the totals noted. The Institute also issued weekly statistics on each member's melt and deliveries for the previous week, with cumulative figures for the year; refiners were designated by key letter, for which each refiner had a code. At the end of the contract period for delivery of sugar bought on each price move, other reports showed for each refiner the total undelivered and unspecified sugar on the contracts with the undelivered amounts noted for each refiner by States.² Reports of the capacities of the several refiners were issued from time to time, and annually an analytical summary of the Institute's statistics was distributed to the members.

Another group of statistics was in part available to offshore refiners and the Domestic Sugar Bureau. Included in this group were weekly reports by States, with some subdivisions, of the total amount of sugar on consignment; of sugar in transit; and of sugar moved over differential routes, both for the refiners' own accounts and on customers' request. Similarly released were a weekly report of total deliveries by States and a monthly report of the same, together with cumulative totals for the year and a comparison of the data for the same month in preceding years. A monthly report of total cane and beet sugar deliveries by States was issued, as was a general quarterly statistical summary.

The Institute did not collect and distribute data on stocks of raw sugar on hand with refiners or on new business entered each week. The institute attempted to collect statistics on new business, but failed because of the refusal of American, National, and Arbuckle to report their figures. As to stocks, the refiners felt that were raw sugar sellers to discover that a refiner's stock was low, they might use the knowledge to "squeeze" him in spot sales. About 50 percent of the raw sugar supplies of refiners was bought in secret transactions and the refiners did not wish either their needs or their price to become known.

² Technically, under the Institute rules all sugar contracted during the price moves was specified for delivery within 30 days, but this requirement was frequently relaxed.

The absence of statistics of production, deliveries, and stocks on hand was cited by the Institute as a major circumstance leading to overproduction in the period prior to the institute. The usefulness and desirability of these and other statistics were recognized both by the trial court and the Supreme Court. The issue that arose in the courts stemmed from the Institute's failure to disseminate its statistics to the trade, particularly the detailed geographical breakdowns that were available to the members. It was found by the courts that by withholding from the trade valuable statistics which they, themselves, were able to use, the refiners gained an advantage in bargaining and effected an unreasonable restraint of trade.

Open price reporting.

It had long been the practice for refiners to post upon their bulletin boards, accessible to the trade, the "basis" price of their sugar. This was the refinery price and consisted of the duty-paid raw-sugar cost plus the refiner's margin. Reductions and additions contained in the terms and conditions of sale always altered this price, so that it was known as the "basis" price rather than the effective price. As such it was posted and when increased, was the occasion for moves. The brokers and other refiners watched the bulletin boards for changes; when they were noted, the other refiners adjusted their prices accordingly and brokers collected orders from buyers. News of a change spread swiftly through the trade, both by personal communication and publication in various papers and journals.

The Institute, in implementing its major principle, "All discriminations between customers should be abolished, to the end that sugar should be sold only upon open prices and terms publicly announced," altered the usual practice regarding announcements only to the extent of recommending that after a change in price was posted the Institute be notified. Thereupon it took upon itself the task of wiring the price to other members, to the Domestic Sugar Bureau, to some brokers, agents, and large distributors, and to news agencies and trade journals. There was at first some ambiguity in the wording of the Institute's recommended procedure, which apparently urged that the Institute be notified before posting, but it was later made explicit that announcement should be made first through the customary posting. It is interesting to note here that California and Hawaiian was advised by counsel, Judge Devine, not to send price notices to the Institute and refused to do so. Judge Ballou, in attempting to allay the doubt, gave expression to the Institute's legal philosophy:

Judge Devine asks you, in the interest of safety, to presume conclusively that all trade association questions, not already specifically decided by the Supreme Court, will, in the future, be decided against the trade associations. Sullivan & Cromwell, on the contrary, while recognizing that some questions remain uncovered by the Supreme Court decisions, bring their own legal knowledge to bear upon such questions and advise us as to those questions which they think should be resolved in our favor and those which, although practiced by many trade associations, they think should not. As an example of the first is our present method of acting as a disseminating medium for price announcements already made public by refiners. As an example of the second, I might cite agreements upon package and grade differentials which are made and published by most trade associations, but which our attorneys think are unsafe.

In February 1928 the Institute recommended that changes in price be announced not later than 3 o'clock on the day before they were to become effective. It had been the custom of the industry on a day when a lower price was announced to "reprice" all transactions that had occurred earlier at higher prices—in short, retroactively to apply the lower price to the entire day's sales. The Institute's attempt to prevent the practice was a failure, for buyers waited until 3 o'clock before placing their orders, and if a lower price was announced for the next day no business was done until it went into effect. After a few months, repricing again became a trade custom. In the case of announcements of higher prices, the Three O'clock Rule set a definite waiting period, that is, from 3 o'clock until the opening of business next day. Buyers therefore were afforded a grace period in which to purchase at the prevailing lower price. Such allowance of time before new higher prices went into effect was usual in the trade even in pre-Institute days, but for the first time a definite period was established, and it was of some advantage to the trade to have the uncertain period replaced by a definite one. There was, of course, the possibility that during the waiting period recalcitrant refiners might have been persuaded to follow the price increase announced by the initiator of the move, but no evidence of such persuasion was found. Early in 1929 the rule was amended so as to delete the waiting period, saying simply that price changes should be announced before 3 o'clock, but while this made it possible for refiners to make the new price effective immediately they continued to give the period of grace.

The industry's mechanism of price announcement therefore was not fundamentally different under the Institute, and its recommendations on repricing and the definite waiting period did not produce any important change in the move system. The significance that attached to price relaying under the Institute was a concomitant of other Institute activities. The paramount fact was that with terms and conditions of sale standardized the "basis" price became not merely a nominal quotation but an effective price. In the pre-Institute period, refiners, particularly the "unethical" ones, had often sold below their announced "basis" prices, as well as at special terms and conditions not open to all buyers. When the Institute brought about adherence to standardized terms and conditions, it also insisted upon adherence to the announced "basis" prices. This adherence to the "basis" price marked a fundamental change in practice. The Supreme Court held later that the vice lay, not in the prior announcement of prices, but in the agreement to adhere to announced prices.

A distinction should be made between the fixing of prices indirectly through the regulation of trade practices, that is, by the removal of all opportunities for departure from the announced price for the standardized commodity, and outright agreement to fix and maintain "basis" prices. Such a basis-price agreement was charged by the Government, but the evidence was found by the courts to be too scanty and inconclusive to warrant that inference. The maintenance of uniformity in the price structure proceeded through other channels.

Control of distribution.

Transportation.—Previous to the Institute, sugar was generally sold f. o. b. refinery with freight prepaid, a transportation charge being added to the "basis" price. The transportation charge to any given point was called the "freight application," or "ruling freight basis," to that particular destination, usually the lowest all-rail freight rate to the point in question from any seaboard cane refinery. If a refiner's actual costs of transportation were higher than the ruling application he absorbed the difference, while if they were lower he picked up an additional margin. Individual refiners set varying limits to the amount of absorptions they would bear and thus limited the number of markets in which they would compete. The customer who requested shipment collect could not avoid the system, for he was billed for the "basis" price plus freight application less freight actually paid. These standard freight applications were based on delivery by rail. Beet sugar producers customarily charged, for transportation to points in their territory, the standard freight applications of the cane refiners and, being located in the interior, usually enjoyed a considerable pick-up over the actual cost.

In two areas buyers were not given the privilege of purchasing f. o. b. refinery, being sold solely at delivered prices. One was Central Freight Association territory—east of the Mississippi River, west of a line from Buffalo to Pittsburgh, and north of the Ohio River. This area was served from Philadelphia, Baltimore, and New York refineries. There was a spread of 3 cents per hundredweight in actual freight costs from these shipping points. Philadelphia, which was 2 cents under New York, and 1 cent higher than Baltimore, was adopted as the basing point. The other instance occurred in areas to which Texas refiners could deliver at less actual freight cost than that charged from New Orleans. These refiners used New Orleans as their basing point and thus effected a pick-up; in fact, the practice, existent since 1917, provided a large part of their profit.

There were important exceptions to the system of uniform freight applications. Customers located adjacent to water transportation, bought from the refinery f. o. b. and themselves arranged for delivery by water, obtaining the benefit of the lower transportation charge. Delivery involving water transport was called delivery by "differential" routes, and these were described variously as "all-water," "rail and water," "lake and rail," etc., depending upon the use of canals, rivers, or the Great Lakes, alone or in conjunction with rail shipment. Because such transportation was cheaper, refiners shipping to stock their consignment points themselves usually used these differential routes, although their sales from such points were invoiced at the standard all-rail freight application from the refinery.

As competition increased in the twenties, concessions from the standard transportation charges began to be offered. Where sugar could be delivered either by all rail or by differential routes, as in the Great Lakes area, or in the Warrior River area (which comprises Alabama, Tennessee, Kentucky, and parts of Indiana), it was difficult to maintain all-rail freight applications in the face of a considerable difference in charges. The situation was further complicated by the fact that one refiner, Savannah, had no differential route into either of the

territories mentioned and in order to compete was compelled to offer rail delivery at the water rate; this caused further reductions by competitors who knew that for its speed customers would prefer rail over water, price being equal. At the time the Institute was formed, the tendency was for the standard freight applications to break to the level of the cheapest service carrying any substantial traffic.

Under section 3 (c) of the code, the refiners agreed not to charge differential rates on deliveries from consignment and uniformly to observe the all-rail freight applications, except where customers specifically requested shipment over a differential route. The purpose of the action was expounded in an interpretation by the Institute, which read:

1. *General use of differential routes.*—Absorbing freight means the selling of transportation at less than cost, which is unsound in principle and necessarily throws an undue burden on the consumers at and near the primary markets. It is realized, however, that the use of differential rates on consignments cannot be prevented in all markets at all times. The customer has the right to ship over differential routes from refinery points, taking the slower service at his own cost and risk of the market during the transit period. If the quantity thus shipped is in fact inconsiderable, it should be ignored rather than break down the freight application actually paid on the preponderating quantity of sugar. If, however, sugar can be and is shipped by customers in this manner in sufficient quantity to break the market at the destination point and render it difficult for refiners to sell their own sugar on the all-rail application, then this competition must necessarily be met. It is a question of fact in every instance, and the Executive Secretary should be fully advised, before sugar actually paying a higher rate is sold on the differential rate, of the necessity of this departure from the strict letter of the Code of Ethics.

This offered the prospect of substantial pick-up on freight charges in those territories in which sugar could be delivered to consignment by water and billed from the consignment point to the customer as all-rail, f. o. b. refinery, but it also meant that refiners who could only reach buyers by rail found themselves bound to observe the higher freight application to markets wherein their customers might take delivery from other refiners over cheaper differential routes. Only a few months after the Institute began operation it met a situation which could not be solved under 3 (c). Savannah had customers in Alabama to whom it could deliver only by rail; the same customers had an option of buying from New Orleans refineries from which they could take delivery by barge via the Warrior River. In view of a considerable difference in cost, if Savannah observed the code, it would lose the customers; if it applied the barge rate to deliveries by rail, it would violate the code. It chose the latter course, and the New Orleans refiners retaliated with lower rates; the resulting break-down spread through the Warrior River region. A similar situation, which arose when the Western Sugar Refinery matched the Philadelphia lake and rail freight charges on its all-rail shipments from San Francisco to Chicago, soon extended through the Great Lakes area.

The Institute struggled to secure compliance in the problem areas, but the issue went so deep that the effort to enforce 3 (c) was virtually abandoned by the summer of 1928, although it was not rescinded until September 1930. Coincident with the Warrior River break-down, however, there began a series of deliberations by refiners on the institution of a delivered-price plan. In June 1928 the directors of the Institute decided that adoption of delivered prices would be worth considering; in July the Institute's counsel gave his opinion that

whereas concerted action toward their adoption would be illegal, there was nothing illegal in each refiner's going on a delivered-price basis of his own accord. Further discussion took place during the fall and winter, but no action occurred until the following spring.

By that time, freight applications over differential routes to the Great Lakes area had fallen to the canal and lake basis, a move initiated by Arbuckle, which despite the fact that its refinery was in Brooklyn had been unable to develop business by the canal and lake service, a service that from the East was most advantageous to New York refiners. American countered this move, however, by announcing, on April 29, 1929, that it would no longer sell f. o. b. refinery in the Lakes area but would apply delivered prices. The prices announced included freight charges lower than the actual all-rail rates but substantially higher than the prevailing rates for differential delivery. The other refiners followed American's example and applied virtually the same prices. Within a short time the freight applications to the Lakes area were stabilized, with buyers deprived of the privilege of requesting delivery by differential routes. Later, in December 1929, Godchaux announced delivered prices for points in the Warrior River area, a move that was followed by the other refiners. These prices were based on the all-rail rates from either New Orleans, Savannah, or Philadelphia, depending on which was lowest to any destination, and simply ignored the Warrior River barge line which afforded a considerably cheaper service.

Although the Institute took pains to avoid any direct connection with the action of the refiners in announcing delivered prices, there is little doubt that it helped in the application of this program. In an instance in which one offshore refiner's representative expressed doubt that others were complying equally with the Institute's program, the executive vice secretary asking them all for written assurances, stating that—

We would also like you to tell us that you will quote sugars only on a delivered price basis to such points as are being generally sold on this basis. This latter is not an Institute matter but an item of importance to all parties concerned.

In other cases the impression that delivered prices were an Institute matter was definitely conveyed by the refiners and by the Institute personnel. The Institute's investigation of alleged departures from the delivered prices and its general policing of the system were enough to convince the trade. Buyers who attempted to purchase f. o. b. refinery to the delivered price areas frequently were told that the Institute's rules prohibited the practice.

The delivered prices broke down in the Warrior River area about 6 months after they were established, for the same reason that caused the collapse of the standard freight applications: New Orleans refiners offered barge-delivery prices as an attraction to buyers, and Savannah, which had no such facilities, quoted the same prices on deliveries by rail. It was not until after suit had been filed by the Government against the Sugar Institute, however, that Arbuckle, in May 1931, cut the delivered prices in the Great Lakes area and caused a general break-down there. In November of the same year American tried to restore the delivered price system, but Arbuckle refused to go along, and the effort failed.

Had the Institute program under 3 (c) of the code of ethics or the application of delivered prices met with success, all refiners theoretic-

cally would have been able to compete equally in all markets, but the amount of freight absorption required of those refiners who enjoyed access to differential routes would have been far less than that required of those who depended upon rail transportation. The first inclination of each refiner appears to have been to increase his volume of sales and thus to produce at a higher percentage of capacity. Those refiners that had access to water routes preferred to disregard the additional pick-up that would have come from adherence to the Institute's transportation-equalization program, in order to use this natural advantage as a means of expanding sales volume. Arbuckle is the best example of this reaction. On the other hand, the unfavorably located refiners, typified by Savannah, would not allow their potential markets to be reduced when, by freight absorption which they were now in a better financial position than before to undertake, those markets might be saved. The offering of lower freight applications had a tendency, however, to lead to still further reductions and to consequent increases in the freight absorption required of the refiners. When this became sufficiently serious to threaten profits, all refiners became willing to consider proposals for uniform practice at higher levels. The cycle then began again. Trouble arose mainly in the Warrior River and Great Lakes areas because refiners from all sections competed there. American alone, by reason of the fact that its plants operated in all sections except the west coast, was able to match the geographical advantages of any of its more localized competitors. In a completely uniform freight system American would have had to bear least freight absorption, and to its variety of lines and packages would have been added the further inducement to buyers of optimum service at the ruling freight charge. At the same delivered prices there would have been much reason for a dealer, wherever he was located, to place his order with American, with its several plants and extensive line, rather than with, for example, Arbuckle, which had but one refinery and a limited variety of goods.

The Institute's effort to sustain standard freight applications was accompanied by the regulation of subsidiary practices. Refiners had always granted buyers transiting and diversion privileges—respectively the ability to store sugar in cars at designated points subject to later movement to ultimate destination and the ability to change destination while sugar is in transit. Because they led in some cases to car movements designed to defeat the freight applications, the Institute initiated a procedure whereby these privileges were restricted by refiners and carefully checked when given. In addition, refiners refused to aid customers in obtaining carload or cargo rates by participating in pooling with sugar shipped on their own account. It was ruled that refiners could not absorb switching charges on deliveries from consignment points to the buyer's spur or warehouse. For a time the Institute also tried to maintain a service charge of 5 cents a bag on less than carload deliveries from consignment, but there was never complete agreement on or adequate enforcement of this policy.

In a further effort to prevent secret rebates, the Institute recommended that no refiner should ship sugar on his own account by private charter unless such charter was arranged directly between the refiner and the carrier and the refiner was satisfied that no buyer was participating in the rate. It also requested that refiners before shipment under private charter submit the transportation terms of such

charter in advance to the Institute. Furthermore, to prevent secret reductions in transportation costs to buyers, carriers on the New York State Barge Canal were induced, upon threat of boycott, to agree that they would not depart from their openly announced schedules of rates on sugar.

The various refiners reported changes in their freight applications to the Institute, which in turn disseminated them in much the same manner as the "basis" prices. However, the multiplicity of changes and special exceptions forced the cessation of the original wire service to members. In 1929 the Institute undertook to supply to each refiner a loose-leaf freight book. Through this, current information was given for each State, except the 11 western ones, on the selling terms then in effect for each refiner, together with the respective freight applications. As an informational service this merely duplicated the freight books maintained by the refiners separately, and at times the book was months behind. As a means of implementing the Institute's program, it served to call attention to discrepancies from the Institute's transportation and contract-term policies.

Consignment points.—As has previously been pointed out, to insure prompt delivery to inland customers the refiners shipped stocks from their coastal refineries to inland warehouses from which local buyers were supplied. The refiners retained ownership of these stocks until the time of their passage into the hands of the buyers. Delivery from consignment was billed as if the sugar had been delivered direct from the refinery, except that sales of less-than-carload lots were billed for transportation at the carload rate rather than the higher less-than-carload rate. It was felt that buyers were entitled to such treatment because the sugar actually had moved from refinery to consignment point at the carload rate, and less-than-carload delivery from consignment point to customer entailed very slight additional expense over carload costs.

Increasing competition among refiners during the period from 1925 to 1927 manifested itself in a large increase in the number of consignment points. Since better service was the main feature of the consignment system, it became the practice for refiners to create consignment points to win customers; competitors then were required to duplicate the facilities to hold their ground. In effect, instead of having stocks at strategic regional points, they were being placed in local areas.

The Institute pursued a twofold objective in relation to this problem: First, to eliminate the excessive and unnecessary points that had been added immediately prior to its formation; and, second, to eventually abolish the system of consignment points, freeing the refiner of this function in distribution. As Judge Ballou stated the program:

The Sugar Institute is composed of refiners of cane sugar located on the seaboard. The normal method of distribution by these refiners is the shipment of sugar in carload lots as ordered by jobbers or wholesalers throughout the country. It is assumed that these jobbers or wholesalers will store the sugars, paying the necessary charges for storage and insurance, will maintain a sufficient stock and assortment to meet the needs of the retail dealers in their districts, and will distribute in less than carload lots to retailers as needed. The Sugar Institute believes that this is a legitimate function in the economic distribution of sugar, that it should be performed by members of the local community conversant with the needs of their trade, and that the jobbers and wholesalers performing this service are entitled to a legitimate profit for performing this service. Under conditions of excessive and ruinous competition prevailing in the past, the refiners

have taken over this function in hundreds of small cities and, moreover, have done it for nothing. The Institute does not regard this as basically sound from an economic standpoint and has consistently recommended the cutting down of these so-called consignment points with a view to their ultimate total abolition.

The code of ethics made no express mention of this design other than to recommend that sugar be consigned only to "recognized" detention points. But almost at once the Institute recommended the elimination of "unnecessary" consignment points and established a special committee to bring about that result. Thus, from 1927 to 1931 the number of consignment points decreased in New England from 5 to none; in New York from 5 to 3; Pennsylvania, 9 to 2; Ohio, 16 to 3; and Indiana, 17 to 4. In the South even more sweeping reductions were made, all points in some States being eliminated and only 1 or 2 being left in other States. For the northwestern Mississippi Valley area the Institute accepted the Domestic Sugar Bureau's list of approved points. No agreement was reached on the elimination of consignment points in Illinois, Missouri, and Arkansas.

Yet as a whole the program was a failure, the total number of consignment points having increased from 344 to 468 from 1927 to 1931. More than 100 new points were added in Illinois, Missouri, Arkansas, and Wisconsin, and in general there were increases in all regions in which the cane refiners had to meet beet sugar competition. The Domestic Sugar Bureau was unsuccessful in its corollary program of reducing beet refiners' consignment points, while the cane refiners apparently turned from reductions in the East to increases in consignment points along the Mississippi and in the Great Lakes area west of Chicago.

It appears that the failure of the program in the western area was due not only to competition from beet sugar but also to competition among the cane refiners themselves in the inland areas. As in the case of uniform freight rates, the stabilizing of the situation did not benefit all refiners equally, some of the smaller companies being forced by their very acceptance of uniformity in some areas to redouble their competitive efforts in others. A statement from the Godchaux refinery, located in New Orleans, explaining why it could not agree to reduction of consignment points in Illinois and Missouri, illustrates this fact:

Our company's normal distributive outlets have in recent years been disturbed through the fact of certain west-coast refiners and the Hershey Co. entering aggressively in the distribution of sugar in south by way of the port of New Orleans, which action was initiated in the fall of 1926 and early in 1927. Also, at approximately the same period of time the Savannah Sugar Refining Co., by reason, as I understand, of the aggressive selling of sugar by the East Coast refiners in the Carolinas and Georgia, were forced to more aggressive merchandising in the southern group of states and instituted rail shipment at the barge rate to these certain states for the benefit of the broadening out of their distributive territory, with the result still further forcing our company as to increasing its distribution in more northerly territory. * * * This caused our company in the latter part of 1926 and early 1927 to institute an aggressive sales campaign in the states of Illinois and Missouri by placing at what we felt were strategic points on those states consigned stocks to permit buyers to obtain sugar from us without a guarantee contract and yet without material market risk. The building up of this type of distribution caused the sugar dealers and large jobbers to discriminate against our company's merchandise, so that our company became dependent for distribution in Illinois and Missouri on sales to chain stores, manufacturers, and the smaller jobbers and sugar distributors. This situation has established for our company a definite clientele in these states,

which any change of merchandising policy would completely destroy and would so mitigate [sic] against our company's distribution of its merchandise as to impair its standing in the industry.

Separation of functions.—On May 2, 1929, a special meeting of the directors and members of the Institute amended section 3 (e) of the code of ethics to prohibit "storage of sugar in warehouses in which customers of brokers are interested or with which they are in any way affiliated." Immediately after the meeting, each refiner sent to his broker and warehousemen the same telegram:

Referring to Sugar Institute's recommendation that no brokerage be paid anyone interested in warehousing or merchandising sugar and that no further sugar be stored in sugar brokers' or customers' warehouses we advise that we have adopted such recommendations as our policy. * * * Please advise us by wire whether you and your affiliated interests desire to deal with us either as brokers, warehouseman, or merchant. Any position taken with us must be consistent with that taken by you with any of our competitors.

Two days later, to those who failed to reply to this telegram another was sent, reading:

* * * please be advised that we cannot accept business from any person, firm, or corporation until their status as broker exclusively or as merchant exclusively or as warehouseman exclusively has been notified to us and satisfactorily established.

This was a marked change in the distribution pattern of the industry, for it was a common practice for functions to be combined. A broker easily became a warehouseman by renting storage space or by owning his own warehouse; a broker who sold exclusively for one refiner often was interested in acting as the warehouse for his principal's consigned stocks. Merchants similarly became warehousemen by reason of their possession of facilities needed by refiners. And the owner of a storage warehouse sometimes turned from renting space to a refiner for use as a consignment point to become a distributor of sugar on his own account. It was because the trend toward combination of functions was so strong that the Institute attempted to end the practice; for as long as the same person bought sugar from refiners and received fees for services performed for them there was an opportunity for secret price concessions. For instance, a wholesale grocer sent sugar for his own account might be paid for the storage of that sugar until it was sold, on the fictitious ground that in the interim he served as a consignment point for stock owned by the refiner.

Although there was an immediate protest, the Institute proceeded with the enforcement of its program of separating the functions of its members' customers. The executive secretary wrote on May 4, 1929:

As you are probably aware, we are in the midst of a very thorough housecleaning. I do not expect that we shall escape without litigation, as we have doubtless had to hurt some of the innocent along with the guilty.

There was created an enforcement committee, which thereafter met at least one each week. The Institute employed traveling investigators to check on compliance and circulated reports of infractions sent in by refiners. The cooperation of the offshore interests was obtained, as was that of the Domestic Sugar Bureau, which wrote a similar amendment into its code and also carried on investigations. Each refiner submitted a list of his approved brokers and warehouse-

men to the Institute, to be circulated among the other refiners. When the enforcement committee ruled that a broker or warehouseman was guilty of combining functions, he was disqualified, that is, dropped from the lists. Refiners considering the use of warehouses not so listed were required to notify the Institute in advance, so that a check might be made of their eligibility. Warehouses disqualified by the Domestic Sugar Bureau were dropped from the Institute's lists without further investigation. Except insofar as he could persuade a friendly refiner to present his case, the disqualified broker or warehouseman had no chance for hearing or appeal.

There were cases in which operations were entirely separate, but where for technical reasons, such as a landlord-tenant relationship, distributors were disqualified. The rule not only was applied to borderline cases but also was enforced regardless of the magnitude of the change required. Thus, the Edgar organization in Detroit, which merchandised 2 percent of all sugar consumed in the United States, operated a chain of warehouses and one of retail stores, and which was also engaged in the brokerage business, despite the fact that it stored other commodities to a greater extent than sugar, was forced to elect one type of sugar business. When it decided upon brokerage, it closed out interest in the retail stores and curtailed other operations, with considerable loss to itself. As the institute wrote to a refiner who showed signs of weakening:

It is, of course, inconceivable that after having forced election on the trade, involving in many cases considerable pecuniary loss in disposing of warehouse or merchandising business, that there should be any back-pedaling without the most disastrous results.

In further support of its control of distributors the Institute required pledges of compliance. In February 1929 a uniform warehouse pledge had been adopted that provided that if the warehouseman gave any concession to a customer of the refiner he would be liable to the refiner for an equal amount. In May 1929 the Institute recommended that only warehouses signing the pledge should be used by refiners. In February 1930 the Institute adopted a similar agreement for brokers. This pledge required brokers not only to refrain from rebating but to read and observe all rulings of the Institute and to demand a similar performance from their own sub-brokers and agents. The refiners would patronize only these brokers who signed the pledge. Finally, in March 1930, the Institute recommended that refiners do business only with truckers known to be independent of brokers, warehousemen; or buyers; and later the truckers were required to sign non-rebating agreements.

Of all Institute activities, its program of requiring the separation of functions aroused the greatest protest. Here it was dealing, not simply with a small group of more or less friendly refiners, but with a large number of individuals and firms accustomed to making their own arrangements. The resentment engendered by the Institute's actions found expression in complaints to Congressmen, the Federal Trade Commission, and the Department of Justice.

Terms and conditions of sale.

In attempting to eliminate those variations in practice among refiners that might in effect produce some deviation from their published prices, the Institute's attention was largely devoted to the structure of the distribution system. Thus, considerable effort was expended upon freight applications, revision of the consignment system, and separation of the functions of broker, warehouseman, and dealer. Within the structure itself, however, were various sales terms and conditions which cumulatively were of sufficient importance to make desirable the standardization of refiners' practice in regard to each.

Brokerage.—Previous to the Institute brokerage rates had uniformly been $2\frac{1}{2}$ cents per 100-pound bag for city brokers, those selling in cities in which refiners are located, and $4\frac{1}{2}$ cents for brokers outside refinery cities. There is a strong probability, however, that refiners indirectly gave additional compensation through unwarranted storage payments. For almost 2 years after the Institute was created the standard brokerage rates remained the same. In December 1929 the institute recommended a maximum brokerage of 3 cents for city brokers and $5\frac{3}{4}$ cents for others. The next month it was found that these rates did not take account of the special position of "general brokers" who employed sub-brokers and agents and who rendered some services other than those performed by the ordinary broker. Their commissions were increased to $6\frac{3}{4}$ cents for operations outside refinery cities.

Contracts.—Prior to the Institute some refiners had offered in some localities a guarantee against price decline occurring between the date of contract and date of delivery. This was favored by the California refiners because it helped them to compete in the Middle West and South by partially offsetting the disadvantage of greater distance and longer time required in transportation. Eastern and southern refiners disliked having to make this concession; and Arbuckle and Revere refused to grant it. During the winter of 1927-28 the eastern and southern refiners withdrew the guarantee. When California and Hawaiian continued the practice, an Institute committee in May 1928 attempted to persuade that company to abandon it. Failing in this attempt, eastern and southern refiners restored the guarantee, restricting it closely so as to apply it only to match California and Hawaiian competition. The Institute appears to have aided them in the effort to prevent spread of the guarantee, at the same time continuing its efforts to persuade California and Hawaiian to abandon it.

The matter of the period over which a given announced price applied came before the Institute in a more important form in the case of long-term contracts. These were contracts in which the buyer was permitted to take delivery more than 30 days after the contract date. The practice of the industry after the World War was different from that which prevailed earlier, inasmuch as the war brought to an end the custom of giving 60-day contracts to manufacturers. From that time until the formation of the Institute there was no established custom; Revere publicly offered long-term contracts to any customer desiring them; the California refiners gave such contracts to Pacific-coast canneries; other refiners gave them frequently—openly as well as privately. Among those who received such contracts from refiners who would not openly announce them were merchants and chain stores as well as manufacturers, but it was to such manufacturing companies

as Coca-Cola, Canada Dry, and National Biscuit that they were best suited and had been most readily available. Since manufacturers bought about one-third of the refiners' output, the amount of sugar covered by long-term contracts was large, although the number of contracts was not great.

In December 1927, when the Institute was being organized, the refiners agreed among themselves to refrain from entering into any contracts in excess of 30 days. Thereafter, except in the case of the Pacific coast canners, long-term contracts were not available. Edgar & Sons, distributing firm, which in the pre-Institute period had secured long-term contracts from Revere and Godchaux for the year 1928, was required to maintain refiners' prices on resale of the sugar delivered under these particular contracts, since they called for lower prices than were available on immediate delivery. In a letter of May 18, 1928, a group of manufacturers (Schrafft, New England Confectionery, Loose Wiles, National Biscuit, Henry Heide, Ward Baking, Peter Gailler Kohler, and Rockwood) protested bitterly against "the cast-iron 30-day contract," but this protest was futile, and subsequent endeavors by other customers to obtain longer contracts were unsuccessful.

The agreement against long-term contracts was enforced by the Institute and complied with by the refiners. The latter agreed to report to the Institute their statistics on unspecified and undelivered balances; and the Enforcement Committee watched these to check upon observance of the long-term contract prohibition. However, when it was impracticable for the refiners to deliver sugar within 30 days after particular moves, enforcement of the strict 30-day limit was quietly relaxed.

Another type of contract prohibited by the Institute was the so-called "tolling arrangement." This called for the deposit of raw sugar with the refiner, who exchanged a proportionate amount of refined sugar (93 pounds of refined for every 100 pounds of raw) and received a fee for the refining service. At the pre-Institute organization meetings the practice was barred, but there was later some confusion whether it was barred in all cases. All doubt was removed in July 1928 by the Institute's decision that tolling constituted discrimination. In January 1929 the prohibition was restated, but permission was given refiners to toll for raw-sugar producers if the latter agreed to sell the refined sugar strictly in accordance with the code. The purpose of institute action on tolling was to prevent buyers from obtaining sugar at prices other than those announced and maintained by the refiners.

Special arrangements for the packing of sugar under private brands likewise were discouraged by the Institute. In July 1929, as the result of a question from a refiner and a tentative, negative attitude on the part of the board of directors, the Institute circulated a questionnaire among refiners to discover their views on the practice. The replies indicated a general feeling that the service was an added expense to the refiners, although it was not extensive enough to be burdensome. In November the Institute went on record in opposition to the practice, suggesting that members discontinue the service and that no new private-brand business be considered without submitting the proposal to the Institute for approval.

Terms.—In this category are discussed a number of Institute activities relating to special terms of certain kinds of sales and to terms of payment. Special terms of sale restricted by Institute action related to quantity purchases, resales of sugars, damaged goods and frozen stocks, and used bags returned by customers. Institute policy with respect to terms of payment concerned cash discounts, deferred payments, and split billing. These will be considered in the order mentioned.

Quantity discounts were expressly prohibited by section 2 of the code of ethics. As the reason for the prohibition, it was stated that the nature of the sugar refining industry was such that no savings were effected by refiners on orders for large quantities. It was also asserted that the refiners themselves received no quantity discounts on their purchases of raw sugar, achieved no substantial reduction in manufacturing costs from sales in quantity, and paid standard brokerage regardless of the amount of sugar sold. However, with respect to delivery, storage, and bookkeeping there was evidence of considerable savings to the refiner on large sales. During the pre-Institute period there had been no opportunity to gage such savings, inasmuch as discounts were generally given, not expressly on the basis of quantity as such, but as secret price concessions or lower prices on long-term contracts, concessions that were often given to small purchasers as well as to large ones. The prohibition of quantity discounts was observed by the refiners at some cost to themselves. The larger purchasers, who had been accustomed to price concessions on their orders, were faced with the necessity of paying higher prices than before and in some instances sought alternative sources of supply. For example, the Coca-Cola Co., the largest single purchaser of sugar, turned to Hershey, which had never conformed entirely to the Institute's policies, and to a small Louisiana producer-refiner.

Resales—or sales of “second-hand” sugar—were prohibited by section 3 (h) of the code and interpretations thereof. These second-hand sugars were sold by purchasers who found themselves oversupplied always at a reduction from the refiners' prevailing prices. Usually the resale took place before the sugar had been shipped to the buyer under his original contract with the refiner; if the refinery itself did not repurchase the sugar, it made delivery direct to the new purchaser. In the period before the Institute, refiners had used such transactions to put through fictitious resales so as to grant lower prices to favored customers, or as a means of canceling a contract that had proved unfavorable to the customer because of a price decline.

The Institute accepted the fact that damaged goods and frozen stocks (usually consisting of sugar that had grown caked and hard in warehouses) were customarily sold at a reduction in price but through a ruling early in 1928 required that prior notice of such sales be sent to the Institute. These notices enabled it not only to watch but to supervise and control such sales, with a view toward limiting them as much as possible and mitigating their effect upon the established price structure. Later, in January 1931, it recommended that damaged sugars and frozen stocks not be added to any contract not originally calling for them; and an understanding was reached that they should not be sold except in spot transactions.

Prior to the Institute, refiners granted allowances for used bags to those few customers who were in a position to return bags for refilling.

There is no evidence that this practice, limited as it was, had been used as a cloak for price concessions. On the other hand, there was no reason why bags costing as much as 15 cents each should not have been returned six or seven times by those customers—chiefly manufacturers—who were in a position to collect and preserve them. However, early in 1928 the Institute prohibited such allowances on the ground that the saving was open only to a few customers and thus constituted discrimination; actually, a fear that such concessions might tend to undermine the price structure seems to have been the motivating factor. Some manufacturers protested this prohibition, and one refiner later proposed an amendment to permit allowances for used bags, but the amendment was rejected and the rule strictly observed.

The Institute considered the standardization of credit terms a very essential part of its program. It was able, through recommendations and letters to the individual refiners, to maintain the customary cash discount of 2 percent. As the period within which payment must be made, it had been the custom to allow 7 days after arrival by rail with an additional 3 days of grace. An effort to eliminate the grace period apparently was unsuccessful. Most of the Institute's activity in this connection developed over the question of when the period was to begin on shipments over differential routes. The issue was whether the discount period was to begin at the time of shipment or of arrival in the case of deliveries over differential routes; and, if it were the former, the extent to which the customary period of 7 days should be lengthened. The question was clearly a phase of the Institute's effort to maintain all rail freight applications. To discourage differential route deliveries, the Institute attempted to obtain the adoption of terms providing for 10 and 14 days after shipment on differential movements. However, Godchaux, of New Orleans, insisted on quoting 7 days after arrival on barge shipments. When the matter could not be reconciled, the eastern refiners also went on an arrival basis on water shipments, thus nullifying Godchaux's advantage and causing that company to agree to conform to the uniform shipment terms. But with the general breakdown of the freight structure that came later this uniformity was destroyed, and the discount period thereafter came to be universally reckoned after arrival, a more liberal credit policy than had prevailed before the Institute.

Another subject of Institute activity was the so-called "four-payment plan." This was a plan whereby the buyer instead of ordering several less-than-carload-lot quantities, each at a premium freight rate and at some bookkeeping expense to the refiner, was given immediate possession of an entire carload, to which, however, the refiner retained title. The buyer agreed to withdraw the entire amount of sugar from the car in four equal installments, taking title to each quarter as he withdrew it. Thus, the buyer received four less-than-carload-lot shipments at the carload freight rate, by reason of the refiner's having in effect established a personal consignment point for him. The buyer had the privilege of taking at any time the entire undrawn portion at the order price, an advantage in case of a rise in the price of sugar; or he could pay for the installments separately at the purchase price and on the usual 2-percent 7-day terms as of the time of withdrawal. Savannah instituted this practice a few years before the

Institute, probably as a means of overcoming its disadvantage in having to ship by rail in territories to which water routes were available to competitors, but up to 1928 had applied it only to Georgia and the Carolinas. The Institute's activity in regard to this plan technically was only to require open announcement of its use but actually it was designed to prevent its spread, an end that was achieved in some regions.

The Institute took definite action against another type of deferred payment, split billing, which was prohibited by section 3 (b) of the code of ethics. This practice was initiated by the California refiners, who were faced with their railroads' requirement that 80,000 pounds constitute a minimum carload on the Pacific coast, whereas a 60,000-pound carload was stipulated by carriers in the East and South. To offset the disadvantage, they billed for 60,000 pounds, payable 7 days after arrival, and separately for the remainder, payable 14 days after arrival. The Institute did not object to this practice but took steps to prevent split billing as a competitive device in territories in which there was no difference in carload minima. Thus, in February 1928, it required California & Hawaiian to stop split billing on 60,000-pound carloads to Texas; and when California & Hawaiian resumed the practice a year later the Institute authorized all members to do the same until California & Hawaiian complied. On September 1, 1929, a change in the carriers' tariffs, reducing from 80,000 to 60,000 pounds the carload minimum, clarified the situation, except in the beet sugar area, where Institute members faced an intrastate minimum of about 40,000 pounds. When eastern and southern refiners expressed a desire to extend their business in that territory, the Institute authorized split billing in the States affected. It is evident that the Institute saw no evil in split billing as such but repressed it as a little-used practice that might cause departures from the established price structure. Its use within the cane-sugar industry declined as the "four-payment plan" spread, the latter evidently operating as a more desirable alternative.

Proposed Code of Fair Competition.

During the course of trial of the Department of Justice's suit against the Sugar Institute, it appeared that the enactment of the Agricultural Adjustment Act and the National Industrial Recovery Act would have a considerable bearing on the legal interpretation of the Institute's activities. However, it was agreed by the parties that the case should continue on the original issues, the court's decision to be modified in any respects necessary to make it compatible with the new legislation.

Except in the matter of labor and employment conditions, which were in the province of the National Recovery Administration, the sugar refining industry was included in the program developed by the Agricultural Adjustment Administration for all sugar interests. In the summer of 1933 it appeared that the A. A. A. program was to be embodied in a marketing agreement involving sugar cane growers, both domestic and insular, domestic beet sugar growers and producers, and cane refiners. Through this agreement the production and import of raw sugar were to be made subject to control and the price stabilized. As a supplement to this basic "sugar stabilization agreement" the domestic cane refiners proposed another agreement to

govern the marketing of cane sugar. The refiners' proposal was made in August 1933, but its consideration was deferred pending action on the basic agreement. Later, the Secretary of Agriculture announced that the basic agreement drafted by the sugar interests was unsatisfactory—

because it emphasized the interests of processors rather than the income of producers; because it did not provide for effective production control; and because the protection of consumers' interests was virtually confined to the Secretary's power to terminate the agreement.

In May 1934 the Congress passed the Jones-Costigan Act, which amended the Agricultural Adjustment Act by specifically providing for a raw-sugar quota and a benefit-payment program to be administered directly by the Secretary of Agriculture. No official action was ever taken on the "Marketing Agreement and Code of Fair Competition for the Cane Sugar Refining Industry," which had been drafted by the refiners and which after revision by a committee of the general conference of the sugar industry had been submitted in printed form as of August 28, 1933, for the Secretary's acceptance.

This proposed code of fair competition restated the principles set forth in the Institute's original code of ethics and added the fruits of the refiners' experience under the Institute. It represented the desires of the Institute members more explicitly than did the code of ethics, for in the absence of legal doubts definite expression was given to aims that had not been acknowledged in Institute statements and rulings. Inasmuch as the sponsoring group of refiners consisted solely of Institute members and the Institute was to be established as the administrative agency of the code of fair competition, the authorship of the proposal may definitely be attributed to the trade association and its members. Before submission to the Secretary of Agriculture it had been approved in every particular by the board of directors; and it is interesting to note that revisions were subject not only to majority vote of the board but to a majority representing more than 50 percent of all refined sugar delivered in the United States by the entire Institute membership during the next previous calendar year.

Chapter 2 of the marketing agreement, consisting of the code of fair competition, began with the refiners' claiming the right that was denied them under antitrust law:

* * * it must be and hereby is recognized that the refiners have the right to confer among themselves or with any other person or persons engaged in the production, processing, importing, distribution or handling of sugar upon the elimination of new forms of competition or new trade practices which may spring up in the industry and which may to any of them seem unfair; and to confer among themselves or with any such other person or persons from time to time on prices, terms, market conditions, marketing practices, and any other matters to which the Sugar Stabilization Agreement and/or this Agreement relate, provided, however, that the refiners shall not enter into any agreements to fix or maintain the base price for their sugar, unless the approval of the Secretary shall have been first had thereto.

It was also stated that existing capacities should not be increased or new refineries built without the approval of the Secretary and that, to prevent "underselling of refiners by other sellers of sugar," all beet sugar and direct consumption sugar should be sold under codes of fair competition substantially similar to the one established for the cane refiners.

There followed a list of practices deemed to be unfair methods of competition and hence to constitute violations of the code.

These included prohibitions of: tolling contracts; allowances on used bags returned by the buyer; advertising allowances; giving of free samples; packing of sugar under private brands; combination sales; permitting buyers to make deductions not authorized by contract from invoices rendered; allowance of cash discount when payment is made by note or trade acceptance; acceptance of note or trade acceptance without provision for payment of interest; diversion of brokerage and any form of secret discrimination by broker among buyers of sugar; any broker to be interested in the business of or to participate in the producing, refining, merchandising, warehousing, or transportation of sugar; storing of sugar by sellers for any buyer or in any warehouse affiliated with a buyer or in which a buyer has any interest; the performance by any warehouse of services not stated in terms and conditions on file with the Institute and the making by any warehouse of secret terms with any buyer; ownership or affiliation by any carrier of sugar and/or with any broker, buyer, or warehouseman of sugar; departures by carriers of sugar from their terms and conditions as filed with the institute; misrepresentation by buyer of ultimate destination of sugar to defeat the seller's delivered price; diversion or transiting except at buyer's expense; bribes and gratuities; contract cancelation except upon fair consideration; employment of non bona fide brokers; delayed billing; dummy contracts; employment of any broker, warehouseman, or carrier engaging in any practice declared by the code to be unfair competition.

It is apparent from the above that the refiners' aim was to secure the Secretary's approval for many of the controls which the Department of Justice was attacking. The code went on to propose conditions which the Institute itself had been unable to make effective or which it had not previously put forward in its own name. Thus, article 5, on marketing and distribution, was divided into 10 parts, respectively entitled (1) open prices and terms; (2) delivered prices; (3) no discrimination between buyers; (4) contract enforcement; (5) damaged sugar and frozen stock; (6) second-hand sugar; (7) brokers and brokerage; (8) warehouses; (9) consignment points and transit points; and (10) transportation. In general the provisions set forth in these sections stipulated all the related requirements that were in force and had been attempted under the Institute, with some notable additions. For example, sugar was to be sold only at delivered prices, consisting of the base price plus standard all-rail freight applications, with the exception that—

when such standard all-rail freight rate to a destination is higher than the freight rate by differential, trucking or other routes from such points over which it is practicable to ship a substantial proportion of the sugar normally shipped to such destination, the Board of Directors may in its discretion authorize, in lieu of such standard all-rail freight application, a lower freight application which the Board shall fix.

Brokers and warehouses were to be licensed, with brokerage rates fixed by the board and warehousemen required to file not only their terms and conditions but a daily report of sugar withdrawn. Consignment points were limited to a total of 51 cities, specifically enumerated. Shipment of sugar was restricted to "the seller's own transportation

facilities" or to carriers either under the Interstate Commerce Commission or under license of the Agricultural Adjustment Act or National Recovery Act. The granting of licenses under the latter was to be conditioned on such carriers' filing their rates on sugar with the Institute and their observing the provisions of the code.

Among the features of the proposed code were provisions relating to enforcement and penalties. The Institute's board of directors was empowered to hire auditors to check periodically the books and records of refiners and to make "such audits of the records and files of licensed brokers, warehousemen, carriers, and others engaged in the handling of sugar as the board may consider necessary." Refusal of any broker, warehouseman, or carrier to submit to such investigation was punishable by the revocation of his license. Provision was made for liquidated damages for violation of the code, these damages to be fixed by the board at not less than \$500, or more than \$5,000, or at the rate of 15 cents for each 100-pound bag of sugar involved in the violation. In addition, the board could "require the disciplining" of any employee of any party connected with the code and agreement, if such employee "knowingly or willfully participated in any violation of the code, or failure to observe its provisions." The proposed role of the Secretary of Agriculture in the administration of the code is indicated in the following paragraph:

The Secretary, or his delegate (who shall neither have nor represent any interest antagonistic to the interests of the members of the industry), may attend all meetings of the Board, or of any committees thereof, and have access to the records of the institute relating to the administration of the Code. The Institute will assist the Secretary or his delegate in obtaining full information concerning the operation and administration of the Code, to the end that the Secretary and the President may be fully advised thereof and the President be assured that the code and the administration thereof do not promote monopolies, or permit monopolies or monopolistic practices, or eliminate, oppress, or discriminate against small enterprises in the industry, and are in furtherance of the public interest and the purposes of the Agricultural Adjustment Act and of Title I of the National Industrial Recovery Act.

No hearings were held on the cane refiners' proposed code of fair competition. A single hearing on labor standards for the industry was held under the N. R. A. in August 1933, but protracted negotiations over the following year and a half failed to result in the approval of a labor code.

INJUNCTION OF THE DISTRICT COURT AND SUPREME COURT

On March 7, 1934, Circuit Judge Julian W. Mack, who had heard the *Sugar Institute case* in the District Court, Southern District of New York, delivered his decision. Judge Mack found the Sugar Institute and its members guilty of engaging in a combination and conspiracy to restrain trade and commerce in sugar. He granted the Government's plea that the defendants be enjoined from further engaging in the illegal activities of the conspiracy but denied its request for dissolution of the Institute, stating:

The problems confronting the refiners have been found to be in many instances neither fancied nor slight; but the record has revealed a striking absence of effort on defendants' part to approach their solution in a truly disinterested and constructive spirit; too often they have disregarded the true facts and the interests of the distributors and consumers. They have contended that their guiding motive has been the elimination of secret discrimination, fraud, and waste; in most of their activities, however, they have been found to have gone

much further than was necessary to accomplish these ends. It is clear that their dominant aim was to preserve uniformity in price structure and to maintain relatively high prices, to relieve themselves of burdensome competitive devices, and to make absolutely certain that, regardless of the injury to the public, no secret concessions should be given. It is, however, clear that conditions in the industry prior to the institute were in a number of respects subversive of sound and fair competition; further, that divorced from its illegalities, the Institute offers certain opportunities for effecting desirable results entirely consistent, in my judgment, with the kind of competition required under the antitrust laws.

The defendants were directed to cancel the pledges and agreements secured from brokers, warehousemen, carriers, truckers, and others, which required them to support the activities of the Institute. Except for such modification as might be necessary or permissible under the National Industrial Recovery Act and the Agricultural Adjustment Act, defendants also were perpetually—

enjoined, restrained, and prohibited, individually and collectively, in connection with the sale, marketing, shipment, transportation, storage, distribution, or delivery of refined sugar from engaging or attempting to engage directly or indirectly with one another or with any competitor, through any program, in—

1. Effectuating any general plan to give the same terms, conditions, or freight applications to customers, regardless of the varying circumstances of particular transactions, or classes of transactions, or regardless of the varying situation of particular refiners, distributors, or customers, or classes thereof;

2. Selling only upon or adhering to prices, terms, conditions, or freight applications announced, reported, or relayed in advance of sale or refraining from deviating therefrom;

3. Effectuating any system for or systematically reporting to or among one another or competitors, or to a common agency, information as to current or future prices, terms, conditions, or freight applications, or lists or schedules of the same;

4. Relaying by or through the Sugar Institute, Inc., or any other common agency, information as to current or future prices, terms, conditions, or freight applications, or any list or schedule of the same;

5. Giving any prior notice of any change or contemplated change in prices, terms, conditions, or freight applications, or relaying, reporting, or announcing any such change in advance thereof;

6. Restraining or preventing repricing, or limiting the period during which or the extent to which a sales contract may be repriced or new prices arranged therefor;

7. Effectuating any system of gathering and/or disseminating statistical information regarding melt, sales, deliveries, stocks on hand, stocks on consignment, stocks in transit, volume of sugar moved by differential or other particular routes or types of routes, new business or any other statistical information of a similar character, wherever and to the extent that said information is not made, or is not readily, fully, and fairly available to the purchasing and distributing trade;

8. Requiring, persuading, or requesting third parties to abide by or conform to any program enjoined by this decree;

9. Meeting, suppressing, or restraining prices, terms, conditions, or freight applications of particular refiners or distributors;

10. Requiring or requesting any broker, warehouse, customer, carrier, trucking concern, or any combination thereof, to elect to perform one or more such distribution functions to the exclusion of others or to discontinue or refrain from any distribution function or to dispose of any business or property interest;

11. Obtaining, requesting, exacting, or attempting to exact, pledges or uniform contracts or obligations from any broker as part or in aid of any program enjoined by this decree;

12. Obtaining, requesting, exacting, or attempting to exact, nonrebating agreements from any broker, warehouseman, or trucking concern;

13. Making or circulating lists of warehouses, brokers, carriers, or trucking concerns employed or to be employed by any refiner or competitor, as a part or in aid of any program enjoined by this decree;

14. Refusing, or threatening to refuse, to deal with any broker, warehouse, customer, trucking concern, carrier, or any combination thereof, as part or in aid of any program enjoined by this decree;

15. Dealing or threatening or purporting to deal exclusively or primarily with any defined group or class of brokers, warehouses, customers, carriers, or trucking concerns, as a part or in aid of any program enjoined by this decree;
16. Subjecting, or threatening to subject, any broker, warehouseman, customer, carrier, trucking concern, or any combination thereof, or any agent of any refiner, to any loss of business or employment, damage, injury, forfeiture, fine, or penalty, as a part or in aid of any program enjoined by this decree;
17. Determining or restricting brokerage commissions or fees;
18. Determining transportation charges or freight applications to be collected from customers, or limiting freight absorptions;
19. Selling only on delivered prices or on any system of delivered prices, including zone prices or refusing to sell f. o. b. refinery;
20. Restricting routes of shipments;
21. Making or disseminating at or through the Sugar Institute, Inc., or any other common agency, any freight book or digest of freight applications or selling terms, or conditions, or supplying information relating thereto, but the foregoing shall not be construed to prevent said defendants from agreeing to report and relay announcements of prices, terms, conditions, or freight applications in past and closed transactions through the Sugar Institute, Inc., or a common agency;
22. Preventing, restraining, or refusing to grant the privilege of transiting or diverting shipments, but the foregoing shall not be construed to prevent said defendants from freely discussing and advising one another as to the most effective means for taking steps individually to prevent fraudulent use of transiting and diversion privileges;
23. Requiring, inducing, or requesting water carriers to announce rates or terms openly in advance or to agree not to deviate from such announced rates or terms or to agree not to carry or to refuse to carry sugar except upon such openly announced rates or terms;
24. Preventing, restraining, or refusing to enter into private charters;
25. Preventing, restraining, or refusing to participate with customers in pool-car or pool-cargo shipments;
26. Determining switching charges or restricting the absorption thereof;
27. Imposing service or extra charges;
28. Eliminating, reducing, limiting, or restricting consignment points, recon-shipment points, or storage at ports of entry or other points;
29. Imposing a service charge on less than carload deliveries, or on any deliveries from consignment;
30. Preventing, restraining, or refusing to enter into long-term contracts, or refusing to arrange for deliveries over periods in excess of 30 days;
31. Submitting contracts or information to the Sugar Institute or any other agency before entering into any contract or sale;
32. Determining whether or to what extent to relax or change contract terms, or using statistics of unspecified or undelivered contract balances as a part or in aid of such conduct;
33. Preventing, restraining, or refusing to grant quantity or other discounts where such discounts reflect, effect, or result in economies to refiners either in direct or indirect costs;
34. Preventing, restraining, or refusing to enter into tolling arrangements for customers;
35. Preventing, restraining, or refusing to enter into tolling arrangements for others than customers as a part or in aid of any program enjoined by this decree;
36. Preventing, restraining, or refusing to grant the four-payment plan or split billing;
37. Fixing, restraining, or refusing to grant cash discounts, or restricting the periods for which cash discounts are granted;
38. Preventing, restraining, or refusing to grant price guaranties;
39. Preventing, restraining, or refusing to make allowances on containers, used bags, or customers' bags or containers, or discouraging experiments with or preventing or restraining the use of new types of containers;
40. Preventing, restraining, or refusing to arrange the packing or selling of private brands;
41. Preventing, restraining, or refusing to make resales of sugar or sales of second-hand sugar, but the foregoing shall not be construed to prevent said defendants from agreeing to invoice resales to the original buyers;
42. Preventing, restraining, or refusing to make sales of damaged sugar or frozen stocks;

43. Requesting, obtaining, exacting, or attempting to exact any promise or agreement from any merchant or distributor to maintain any price;

44. Requiring buyers to elect between the guaranty and nonguaranty form of contract at the time of entering the contract or at any other time before delivery or refusing to grant buyers the privilege of changing from one destination to another by resale or otherwise;

45. Engaging in any policing activities or investigating or maintaining any system of investigation, or examining files, records, or stocks, or holding any trials, to ascertain or prevent violations of or departure from any program enjoined by this decree;

The decree of the district court, enjoining the Institute and its members from the practices enumerated, was entered on October 9, 1934. Petition for appeal was filed on December 7, 1934, and allowed the same day; the case was then argued before the Supreme Court. By its decision, written by Chief Justice Hughes and handed down March 30, 1936, without dissent, the Supreme Court modified the decree of the lower court in but two particulars. Paragraphs 3, 4, and 5, which broadly enjoined the defendants or any other "common agency" from effectuating any system for exchanging information on current or future prices, terms, conditions, or freight applications, from relaying such information, and from giving advance notice of changes therein, were eliminated. These prohibitions were so inclusive, in the opinion of the court, as to prevent a return to the system of voluntary announcements by individual refiners that had been customary in the industry previous to the Institute. The other modification was in paragraph 7 of the decree, wherein the defendants were enjoined from gathering and disseminating certain types of statistical information if such data were not fully and fairly made available to the purchasing and distributing trade; in addition to the specific types of information there listed, a more general and more inclusive limitation was introduced with the phrase "or any other statistical information of a similar character." The Supreme Court declared that this phrase had—

no clearly defined meaning and would place the defendants under an equivocal restriction which may do more harm than good. With the removal of that clause and the placing of the word "and" before the words "new business," paragraph 7 is approved.

* * * * *

Although the Sugar Institute was not dissolved by the courts as a result of their finding that it had participated in the refiners' conspiracy in restraint of trade, it was not long after the Supreme Court decision that it decided to suspend all activities.

In November 1936 the refiners organized a new trade association, the United States Cane Sugar Refiners' Association. A statement for the press explained that this association had been created—

for the purpose of directing attention, through cooperative advertising, dissemination of statistics and other proper means, to the national importance of the industry in promoting the general economic welfare, and in safeguarding during war and peace an adequate supply of sugar to the consumer.

It was added that—

In line with this purpose, the Association will point out that large quantities of tropical refined sugar enter this country to supplant sugar normally refined in the United States.

John E. Dalton, formerly Chief of the Sugar Section of the A. A. A., became executive secretary of the association. Original members of

the association were American, Arbuckle, California & Hawaiian, Godchaux, Henderson, Imperial, McCahan, National, Pennsylvania, Revere, Savannah, and Western—a total of 12 companies.

According to its own statement:

The association is not felt to be a trade association in the industrial or business sense of the term and has very limited activities. Its activity in the field of statistical publications is being developed and it is believed will be of substantial value to the sugar trade as a whole.

Present activities, in addition to statistical compilations and public relational matters, consist of—

appearances before legislative bodies, tariffs, and trade-agreement agencies, scientific or technical agencies, and other administrative or technical agencies, as to matters relating chiefly to importation and exportation of refined sugar.

CHAPTER V

TRADE STATISTICS, PRICE AND BID INFORMATION

Broadly defined, trade statistics include all types of statistical data pertaining to business activity. Price information, as well as data on costs, employment, wages and hours, may be considered parts of a comprehensive program of trade statistics. The present tendency, however, is to limit the use of the term, "trade statistics," to cover current data on production, stocks, shipments, sales, orders, exports and imports, machine activity, and similar measures of supply and demand. As noted in chapter II, the present study uses "trade statistics" in this narrower sense, distinguishing them from regularly compiled series of price, cost, and employment data, as well as from occasional market surveys, special statistical studies, and the republication of statistical and economic material.

These distinctions are useful for purposes of discussion and for indicating the variety and intensity of the statistical work done by trade associations, but they should not be allowed to obscure the close relationships that exist between trade statistics and price information, cost accounting and cost studies, and other types of statistical and informational services carried on by trade associations. They are all associated in objectives and uses, as well as in procedures and devices used for collecting, analyzing, and disseminating the data. One management organization that has been very active in advocating the use of statistical programs to bring about more stable market conditions constantly emphasizes the threefold character of a comprehensive statistical service to furnish information for comparing individual costs with the average costs of the group, information for comparing trends of individual volume with trends of the group volume, and information for comparing prices received by the individual with the average prices received by the group. The potential intricacy of these cost-price-volume relationships is illustrated by the description of the statistical activities of the National Container Association presented at the end of this chapter.

Compilation of current trade statistics is essentially a cooperative undertaking. No one company, regardless of its size, can well perform this service for itself. Except in the field of agricultural products and some other important raw materials where the Federal Government has assumed the primary responsibility for assembling data, trade associations, generally speaking, have taken the initiative in collecting trade statistics and in educating business to make use of them.

Some indication of the emphasis placed by trade associations on the collection and dissemination of trade statistics is given by the tabulation of activities shown earlier in this report. It was noted there that trade statistics ranked sixth among 18 types of activity in the frequency with which it was reported as of major importance, and

eleventh in total frequency. Forty-four percent of all national and regional associations, exclusive of those in the field of insurance, reported activity in the compilation of new trade statistics, and 34 percent indicated a major degree of such activity. These figures include only those associations that systematically collect one or more current statistical series, such as production, sales, shipments, stocks, or orders. A still larger proportion of associations, 54.5 percent, reported activity in republishing statistical data and conducting occasional, special studies of a statistical nature. Price and bid information, separately tabulated, engaged the attention of only 15 percent of the reporting associations.

These statistical activities, however, are very uneven in scope and intensity among different branches of industry and among associations in the same industry group. There is a conspicuous neglect of current trade statistics in the wholesale and retail trades, in construction, and in personal, business, and recreational services. Manufacturing, mining, and other producing industries collect the bulk of the trade statistics series, but even here the emphasis varies widely from one industry group to another.¹ Statistics on consumers' goods, such as food and wearing apparel, generally are less numerous than those on industrial supplies and durable goods, such as paper and pulp, electrical apparatus and supplies, iron and steel products, lumber, and rubber products. Trade statistical service is characteristic of small associations, emphasis on this activity being encountered infrequently among associations with more than 50 members.²

Some trade associations deal very casually, if at all, with the collection of original current statistics, limiting their activity to the compilation of annual production or sales figures as a basis for assessments or dues. Other associations collect occasional statistics but have no regularized program. Some conception of the varying scope and adequacy of trade association statistical programs may be gained from the following crude scale, indicating progressive interest and activity:

1. No activity, no apparent need.
2. No activity, apparent need.
3. Casual activity on limited scale—apparently with no great interest shown by members or association secretary in the statistics.
4. Occasional activity for special purpose. Here interest may be lively in particular study.
5. Regularized, periodic activity, but collection confined to some one type of statistics. Little or no comment or discussion by members.
6. Regularized periodic activity covering more than one type of statistics. Otherwise same as 5.
7. Same as 5 or 6 but with comment on related factors in releases and occasional meetings.
8. Same as 5 or 6 but with membership discussion and frequent meetings.
9. Same as 5 or 6 but with comment on related factors, frequent meetings, membership discussion, and organized field contacts.

¹ See tables 32, 32A, 46A, and text, pp. 33, 64, above.

² See tables 29, 46B, and text, pp. 29, 64, above.

DEVELOPMENT OF TRADE STATISTICAL ACTIVITY AS AFFECTED BY GOVERNMENT
RELATIONSHIPS

The development of trade association statistical activity has not been one of uninterrupted growth. Marked fluctuations in the extent of trade association statistical activities have occurred in past years as a result, in part at least, of the attitudes and activities of the Federal Government.

With the conspicuous exception of a few associations, the major development of the statistical activities of trade associations has taken place since the beginning of the World War. The years 1914 through 1919 brought a rapid growth in the number of trade associations and greater stress on their participation in the collection of current data on industrial activity. Government encouragement of this type of cooperative activity, at first largely the result of the needs of the War Industries Board, has continued to the present time, particularly through the Department of Commerce.

Official recognition that evil as well as good might stem from trade association statistics appears in one of the earliest reports of the Federal Trade Commission. The Commission's annual report for 1917 points out that:

* * * in various industries one of the chief obstacles to the normal operation of competitive forces is the lack of adequate trade information regarding supply and demand and prices; that where trade associations collect such information it generally does not become a matter of public knowledge; and that such associations are frequently tempted to extend their activities beyond the useful function of collecting the information referred to above and to engage in activities tending to artificially control prices and the channels of distribution.

The first Supreme Court decision relating specifically to the price and trade statistical work of trade associations was that handed down in 1921, condemning the so-called "open competition plan" of the American Hardwood Manufacturers' Association. The adverse decision in this case, together with the decision in the case of the *American Linseed Oil Co.*, 2 years later, had a distinctly deterrent effect on the continuance and spread of trade association statistical services. This effect was somewhat counterbalanced by the efforts of the Department of Commerce during this period to enlist the cooperation of trade associations in the collection of trade statistics and their dissemination through its publication, the *Survey of Current Business*. The more favorable attitude toward statistical activities expressed by the Supreme Court in the *Maple Flooring* and the *Cement cases*, decided June 1, 1925, also contributed to a revival of statistical activity among trade associations.

Nevertheless, there appears to have been no significant increase from 1921 to 1927 in the proportion of trade associations engaged in statistical work and probably a net decline in the actual number of associations compiling statistics. A questionnaire survey of trade associations made by the Federal Trade Commission early in 1921 indicated that 474, or approximately 31 percent, of the 1,515 associations submitting returns were at that time engaged in compiling and distributing either price information or trade statistics. A report of the Department of Commerce in 1927 noted that the number of associations gathering statistics at that time was "well over 100" but gave no

closer estimate. A Federal Trade Commission survey relating to approximately the same period of time found 256 out of 860 trade associations in the manufacturing, contracting, and wholesale fields that included statistical work among their major or minor activities. This is slightly less than the proportion cited in the 1921 report as compiling price or trade statistics.

The National Recovery Administration marked a new peak in Government sponsorship of cooperative industry activities. Many of the codes of fair competition provided for the collection of current data on production, sales, shipments, stocks, and other relevant information on business activity. It is difficult to judge the extent to which these code provisions were translated into effective trade statistical programs. Code authorities generally were more concerned with other aspects of code administration, including wage and hour enforcement, the administration of trade practice provisions, and the operations of minimum price, production control, and open price-filing plans. N. R. A. administrators were similarly preoccupied, took little initiative in urging the compilation of current statistical series, and gave scant attention to code authority application of code provisions dealing with trade statistics. Annual production or sales figures were commonly used as a basis for code assessments, but the record does not indicate the extent to which such data were regularly collected and disseminated to industry members.

There can be little doubt, however, that the mandatory requirements of N. R. A. codes gave considerable impetus to existing trade statistical programs and enabled a number of industries to extend their statistical series in coverage and in detail. In other industries, organization under the N. R. A. marked the beginning of cooperative activity in statistical reporting, along with other trade association functions. The present extent of association statistical activity probably is somewhat less than during the N. R. A. period, although greater than in any preceding period. The statistical programs of some associations undertaken under N. R. A. auspices have been abandoned; in other instances the collection of data has been continued on a somewhat restricted basis, with fewer series and with less detail in the way of geographic and product break-downs. But not in recently statistical programs undertaken under the N. R. A. have since been extended, both in the number of series compiled and in the detail with which the data are collected and analyzed. In other industries the coverage of the statistical series is greater than before the N. R. A., because some members who first reported their statistics under the compulsion of the codes continued to report voluntarily after the codes were invalidated.

The N. R. A. gave far more impetus to price filing than to the collection of trade statistics, and the decline in this activity after N. R. A. has been correspondingly greater. Neither of these results is surprising, since cooperative activity in the exchange of price information has been more deterred by antitrust decisions than any other form of statistical activity. The relaxation of antitrust restrictions under the N. R. A. led to a widespread demand for code provisions requiring the mandatory filing of current price offers, with prior announcement of price changes and a waiting period of from 1 to 10 days before such changes became effective. Interest in this previously

questioned type of informational service far exceeded interest in more comprehensive statistical programs. In general, the N. R. A. price filing plans were entirely disassociated from the collection of volume and other trade statistics. Attention was focused as much on the control as on the publicity function of price filing.³

Invalidation of the N. R. A. codes resulted in the abandonment of many open-price plans. With price filing reduced to the status of any voluntary informational service, the preoccupation with price statistics has become less marked, and relatively more emphasis is placed on the maintenance of a well-rounded statistical program embracing data on production, sales, shipments, stocks, new orders, and other measures of business activity. Price statistics are frequently included in these comprehensive programs but they do not often assume the preeminent position that price filing held under most N. R. A. codes.

Government participation in the original collection of current trade statistics for the most part dates from 1921, when the Department of Commerce announced a plan whereby the Bureau of the Census would cooperate with trade associations in the collection of monthly data on production, shipments, sales, and stocks. Previous to that time the census tabulations of current trade statistics were limited primarily to series specifically authorized by congressional action, such as series on cotton consumption and spindle activity, data on cottonseed and on animal and vegetable fats and oils.

Under the new cooperative arrangement, current trade statistics series were initiated at the request of an interested trade association or group of members within an industry. The Census Bureau in some cases undertook the collection of data for the industry as a whole, the trade association assisting only by encouraging its members to participate, whereas in other cases it collected directly from nonmembers only and combined these data with those collected by the trade association from its members.

By 1926, 5 years after the plan was announced, current statistical data of various types were being collected for 64 industries or commodities. These were predominantly monthly series, with a few quarterly, semiannual, and annual series. Since 1926 a number of these early series have been discontinued and new series have been initiated, but there has been no net increase in the number of industries or commodities covered. In 1939 reports were prepared for 59 industries or commodities, in addition to the series on cotton and animal and vegetable fats and oil required by law. The number of separate inquiries apparently reached a high point in 1932, when data were compiled for 70 different industries or commodities, exclusive of the regular compilations on cotton and oil. In 1933 reports on hides, skins, and leather were discontinued, because of the repeal of the act authorizing their collection, and 5 other inquiries were dropped because the trade association took over the job of compiling the statistics. Since 1933 only 6 new series have been initiated—2 quarterly series supplementing existing series on wheat and flour and on fats and oils, a monthly report on red cedar shingles

³ N. R. A., Division on Review, Price Filing Plans Under N. R. A. Codes, Work Materials, No. 76, pp. 1-6.

ordered by Congress as a check upon the effects of a quota provision in the Canadian trade agreement, a series on imported dates, and 2 on knit gloves and mittens.

Inadequate funds have made it necessary to refuse requests for new series and for the resumption of old series that were taken over by industry code authorities at the time of the N. R. A. and had since been allowed to lapse because of difficulties encountered in collecting and tabulating the data. Almost all the present list of 59 inquiries were started at the request of, or in cooperation with, trade associations:

1. Air conditioning systems, fans, unit heaters, and other air-conditioning accessory equipment.
2. Automobile financing.
3. Boots, shoes, and slippers other than rubber.
4. Cellulose plastic products.
5. Commercial steel castings.
6. Convection type radiators.
7. Cotton, leather, and allied garments.
8. Distillate oil burners.
9. Domestic pumps, water systems, and windmills.
10. Edible gelatin.
11. Electric industrial trucks and tractors.
12. Electrical goods.
13. Fabricated steel plate.
14. Farm equipment and related products (annual).
15. Fire-extinguishing equipment.
16. Fire-resistive safe.
17. Floor and wall tile.
18. Galvanized range boilers and tanks for hot-water heaters.
19. Hosiery.
20. Imported dates.
21. Knit fabric gloves.
22. Knit wool gloves and mittens.
23. Lacquer (quarterly).
24. Leather gloves and mittens.
25. Malleable iron castings.
26. Measuring and dispensing pumps.
27. Mechanical stokers.
28. Mens', youths', and boys' clothing, cut.
29. Methanol.
30. Mining and industrial locomotives.
31. Motor-vehicle factory sales.
32. Oil burners (for consumption of fuel oil).
33. Paint, varnish, lacquer, and fillers.
34. Paperboard.
35. Plastic paints, cold water paints, and calcimines.
36. Plumbing brass.
37. Porcelain enameled products.
38. Prepared roofing.
39. Public merchandise warehousing.
40. Pulverizers for pulverized fuel installations.
41. Pyroxylin—coated textiles.
42. Railroad locomotives.

43. Raw wool consumption.
44. Raw wool, top and noil stocks (quarterly).
45. Recessed and attachable bathroom accessories.
46. Red cedar shingles and shakes.
47. Steel barrels and drums.
48. Steel office furniture, shelving, and lockers.
49. Structural clay products.
50. Steel boilers.
51. Sulphuric acid in fertilizer plants.
52. Superphosphates.
53. Terra cotta.
54. Underwear and allied products.
55. Water softening apparatus.
56. Wheat and flour stocks (quarterly).
57. Wheat ground and wheat milling products (monthly, quarterly, crop year and calender year summaries).
58. White-base antifriction bearing metals.
59. Wool machinery activity.

Inasmuch as the scope of the reports compiled by the Census Bureau differs widely from one industry to another, the above list is somewhat misleading without some indication of the types of data collected and the relation of the census reports to other statistics of the industry compiled by the trade association. The series collected for the paint, varnish, and lacquer industry, for instance, are very comprehensive and evidently obviate the necessity for regular trade statistical work by the National Paint, Varnish, and Lacquer Association. With respect to some other commodities, notably paperboard, electrical goods, steel castings, automobiles, and prepared roofing, the census series represent a minor part of the current statistical data collected and distributed by trade associations in those industries. The National Paperboard Association, for example, claims to have one of the most complete and accurate statistical services available to any industry. The Census Bureau collects directly from nonmembers of the association data on production, orders, machine operation, and waste paper consumption for paperboard of all types combined. The association collects similar information, in far greater detail, from its own members and submits the totals to the Bureau of the Census for combination with the data for those companies not reporting to the association. The National Electrical Manufacturers Association collects very comprehensive trade statistics for its product sections, while the census report on electrical products consists of quarterly figures showing total dollar value of new orders with no classification of any type. The census report on commercial steel castings is confined to total production and total orders for two broad classes of railway specialties and miscellaneous castings, whereas the association collects and distributes detailed volume and price statistics for its members.

Current trade statistics collected by the Bureau of the Census are subject to the same confidential treatment enjoyed by the other statistical data that it collects. The composite data are distributed directly by the Bureau to all participating firms and other parties requesting them immediately upon completion and for the most part are published in the Bureau of Foreign and Domestic Commerce monthly, the Survey of Current Business.

NATURE OF TRADE STATISTICS COMPILED BY TRADE ASSOCIATIONS

The kind of current statistics collected by trade associations differ widely from one association to another, reflecting not only the nature of the industry and its statistical needs but also the readiness of industry members to submit data and to share the costs of compiling certain types of information. These same factors influence the frequency of collection, the character and detail of the classification and analysis, and the extent and manner of disseminating the data.

Much of the discussion in this section is based on a tabular analysis of statistical forms and releases submitted by trade associations. This analysis covers a total of 995 statistical series compiled by 264, or approximately 58 percent, of the 456 trade associations in manufacturing and other producing industries that collect trade statistics from their members. It does not cover the relatively few series that are encountered in the fields of distribution, service, finance and real estate, and transportation and other public utilities, and does not cover the statistical work of trade associations in the field of insurance. The analysis was based on materials voluntarily forwarded by trade associations, although in the case of some 40 associations additional information was obtained through interview. The 264 associations constituting the sample include only those associations for which there was no reason to doubt that the information on types of series was complete. As will be seen later, however, the information with respect to such matters as the extent of coverage and dissemination was inadequate in many cases. The data in most cases are based on releases issued in 1939, although in the case of some associations the releases were issued in 1938. Not included in the sample are series collected by the Bureau of the Census, or other Government agency, in cooperation with trade associations, and series collected by trade associations that receive no dissemination of any kind.

In the analysis, a "series" was defined as a type of trade statistics, such as data on shipments or orders, covering a product or group of products. Regardless of the manner in which the information was issued by the association, a type of trade statistics covering a number of products was considered as comprising a single series if the composition of the statistics for the various products was identical in terms of geographic, customer, and other break-downs and in terms of coverage. On the other hand, more than one series, as for example of shipments data, may have been enumerated for a single product if information was released in distinct and noncomparable forms, such as a summary release covering all participating members whose number varies from period to period and a detailed market break-down covering identical firms. Releases of the same type of statistics covering different reporting periods were considered as comprising a single series if the composition of the data was the same, the series being classified according to the shortest period covered. Thus, a monthly summary of information that had been presented in detail in weekly releases was not defined as a separate series.

Types of series collected.

The classification and enumeration of trade association statistical series are complicated by the multiplicity of series collected, but the absence of a uniform terminology also presents difficulties. Several

attempts have been made to develop standard definitions and to secure uniform usage of terms generally applied to statistical series,⁴ but progress in this direction has been slow. The term "sales," for example, is frequently used by trade associations interchangeably with the terms "shipments" and "orders"; and the term "orders" is frequently used without explanation to indicate whether the data refer to new or to unfilled orders, or whether adjustments have been made to allow for cancelations. One statistical series compiled by an association was variously identified in the exhibit material and in correspondence as applying to orders, to production, and to shipments. In tabulating the information on statistical series the term used by the association to describe a particular series was accepted, unless there was clear evidence on the statistical release that the series was more appropriately classified under a different heading.

Statistics of production and sales are the most common types of information collected by trade associations. Production data, together with data on stocks on hand, afford a measure of the current supply of industry products in the market; sales data, including data on orders and shipments, afford a measure of current demand. The particular series collected by an association, of course, vary with the needs of the industry. If production in a given industry ordinarily waits upon orders received, so that production and sales are virtually the same for any given period, one statistical series may be sufficient to reflect volume of business. If the industry is one in which stocks are accumulated, it usually is desirable to collect at least two series, such as production and sales, or production and shipments. Industries desiring a more complete picture of current market conditions may collect data on five or more different items, including production, stocks, shipments, new orders, and unfilled orders, or such modifications of these series as may be necessary to reflect existing supply and demand relationships. Production data may be supplemented or replaced by data on machine activity, man-hours, or other measures of business activity. Data on shipments and new orders may be supplemented by data on inquiries, cancelations, or returns as a basis for arriving at net sales or net orders.

Production and stock series.—Production series, so-called, rank somewhat below sales and shipments series in frequency. They characteristically measure the current output of the industry's product in terms of an appropriate quantity unit, such as tons, barrels, gallons, yards, dozens, or individual units.

Series on machine activity, comparatively infrequent, likewise afford a measure of current output and may be used instead of production series when the industry products are too diverse to be measured in a common physical unit. Thus, the iron and steel industry and the paper industry used data on machine activity as an over-all measure of industry operations to supplement the production series for various product divisions. The cotton textile industry uses loom activity in a similar manner. A machine-activity series commonly relates actual production to capacity production and thus provides a measure of the utilization of plant capacity as well as an absolute measure of output. Such a measure is particularly significant in industries in which unit costs vary sharply with changes in the utilization of

⁴ See, for example, United States Department of Commerce, *Trade Association Activities* (1927), pp. 25-26.

capacity. In such industries an index of machine activity informs the individual producer of the prevailing level of activity in the industry and may deter him from cutting prices in a vain attempt to maintain his own volume and rate of production at a level higher than the demand warrants for the industry as a whole. One textile group reports the number of printing machines in use and idle as a measure of productive activity.

In some industries data on employment or man-hours of labor evidently constitute the only feasible measure of production. In other industries the production series actually represents the amount of raw materials utilized by the industry during a given period. Another example of an indirect measure of production is the series of label sales compiled by the National Coat and Suit Recovery Board. These labels are sold to members on the basis of not more than 2 weeks' supply at one time, with different priced labels for garments in different price ranges. Data on label sales are released at intervals to members to inform them of current production trends in the industry.

Series on stocks, or inventories, of finished goods, although less numerous than production series, can be derived from parallel series on current production and current shipments or sales. An inventory series derived in this fashion is subject to error because of waste, returns, and other adjustments on orders, but unless the error is sizeable and cumulative in a given industry, it may be unnecessary to ask members for separate reports on stocks. Some associations, anxious to discourage the accumulation of excess stocks, prefer to collect basic data on stocks and shipments, deriving the current production series from these two sets of figures or omitting it entirely from the statistical reports. Data on stocks are obviously unneeded in industries that produce to order but may be the most useful of all information to industries having marked seasonal fluctuations, with inventories built up during slack seasons in anticipation of future demand. One association was noted which compiled a series on "excess" stocks, indicating the extent to which inventories were above the normal seasonal needs of the industry as evidenced by past records. An association in the lumber industry collects a series on "surplus" stocks. Stocks are regarded as surplus when they exceed unfilled orders by a specified number of board feet.

Various trade association executives have noted a reluctance on the part of members to undertake the compilation of data on inventories of finished goods. This is explained in some instances by the difficulties of defining finished goods or of obtaining accurate reports but in other cases arises from a fear that disclosure of an adverse inventory situation may weaken the market, particularly if the information reaches customers of the industry. This is usually regarded by the trade association executive as *prima facie* evidence of the need for inventory data to convince members that they should curtail current operations, liquidate present inventories, and avoid similar accumulations in the future. Effective use of inventory data to this end was reported by one trade association executive, who charted the inventory figures for his industry to demonstrate to members that when gross stocks were high the average price for the product was low, and when gross stocks were low the average price was high.

Orders, shipments, and sales.—Shipments and sales series are relatively more numerous than production series and together represent

a major portion of the total series collected by trade associations. A very few industries collect both sales and shipments data on the same products, carefully designating the transactions to be reported under each heading, but this practice is relatively infrequent and occurs chiefly in industries in which sales are made on contract for future delivery. Some associations use the terms interchangeably or have adopted the one that seems best fitted to describe the market transactions of their particular industry. Sales are relatively more often expressed in dollar values than are shipments, but both types of data can be reported in either physical units or dollar value and frequently are reported in both.

Shipments and sales data may be reported on a net basis, that is, with allowances made for goods returned and other adjustments made during the reporting period. Some industries compile a separate series on returns. These data permit adjustments of previous sales or shipments figures. They also disclose variations in the volume of returns and adjustments, which are not infrequently the subject of trade practice rules. Such rules may be directed against unreasonable customer demands or against indirect price concessions. Cooperative efforts at control may be limited to publicity, or the publicity may serve to implement a program of control.

Data on new and unfilled orders are generally regarded as one of the most important types of trade statistics. Orders represent demand that has become effective, on the basis of which the industry can proceed with some confidence to adjust its production operations in accordance with the facts disclosed. A confusion between sales and order series, comparable to that noted between shipments and sales series, detracts somewhat from the quantitative significance of the totals shown in table 53. It was not always possible to determine whether the reported figures represented invoiced transactions or new business booked.⁵ The distinction between new, net, and unfilled orders is also subject to error, but the tabulation probably indicates correctly the ranking of the three principal types of order series.

New orders are the most common of the orders series. The explicitness of the message conveyed by these series will depend considerably on the nature of the industry. Orders, shipments, and production may move in a 1-2-3 sequence, so that a rise or fall in new orders warns of an impending similar change in shipments, which will in turn affect production. If new orders in a given industry are filled immediately from stock, the new orders may move very little in advance of shipments, which will move in close accord with them. New production, on the other hand, may follow very closely or may lag considerably behind shipments, depending upon the decisions of the various companies to build up, maintain, or deplete stocks. In industries that produce to order, the relationship between new orders and production is much more direct, and current production is adapted closely to current demand, although there may still be a considerable lag under conditions of capacity production. Among industries normally pro-

⁵ Series simply called "orders" were classified as new orders, as were series on "new contracts," "orders booked," "booked sales," and "bookings"; series called "orders on hand" were classified as unfilled orders. Series on "orders billed," "billed sales," and "billings," were classified as sales. Series on "invoices rendered," "shipments billed," and "invoicings" were classified as shipments.

ducing to stock, some associations have defined normal seasonal levels for stocks, urging their members to regulate new production beyond these levels in strict accordance with new orders.

Net orders series are similar to new orders series, except that the data have been adjusted to allow for cancelations of orders during the reporting period. Separate cancelation series are compiled by some associations. This information like that on returns may be useful in connection with trade practice rules, but the volume of cancelations may also be interpreted as an indicator of business confidence.

Unfilled orders are a measure of the business on hand and are a practical guide to immediate production operations. An unusual rise in the volume of unfilled orders indicates a favorable market situation just as a piling up of stocks indicates a situation unfavorable to the members of an industry. Recognition of this is apparent in the frequent reference to the "back-log" of unfilled orders. Association executives may warn their members to regulate production in such a way as to maintain a minimum back-log of unfilled orders, which will forestall acute or abrupt curtailments of activity or a break in the price level. One association regularly includes on its statistical releases a column translating unfilled orders into the number of days of operation they represent.

Raw materials series.—Statistical series on raw material supplies are used by some industries to inform members of their market situation as purchasers rather than sellers. It is to their interest to prevent a weak inventory position with respect to their raw materials as with respect to their finished goods. In this case the danger is apt to arise from a shortage of raw material stocks in the face of increasing demand for the industry product. The rush to replenish inventories may result in a temporary boom market for their suppliers and a boost in the cost of the raw materials. A statistical series on raw material stocks informs the individual member of the current industry position and better enables him to replenish his inventories before there is a general shortage.

One industry, at least, has utilized statistics on raw materials to further an association policy of maintaining raw material inventories at a specified level in relation to new orders. Individual company conformance to this advocated level was noted on the monthly statistical releases. As suggested earlier, raw-material-consumption figures may also be used as a measure of productive activity.

Miscellaneous series.—The 12 types of series mentioned above and listed in table 53 account for 882 of the 995 current statistical series collected by the associations covered in the analysis. The remaining 113 series comprise a number of diverse types, of which series on export shipments, sales, and orders are the most common. There were, however, only 18 of these series. Export and import data are seldom collected by trade associations because of the comprehensive information available through the Department of Commerce. Many associations republish this information in their regular statistical releases.

The remaining miscellaneous series for the most part represent refinements, variations, and adaptations of the common production, stock, shipments, sales, orders, and raw material series. Some of them have already been mentioned. Such series as the following appear: Man-hours (used as a measure of productive activity); unsold stocks;

stocks inspected; carry-over from previous season; surplus stocks; stocks in process; inquiries; undelivered orders; orders accepted; quotations made; receipts and purchases of raw materials; and purchases of finished goods from other members of the industry.

Frequency of various series.

The relative frequency of 12 types of current trade statistics, exclusive of the miscellaneous series mentioned immediately above, in different producing industries is indicated in table 53.

Relative frequency.—Shipments series are by far the most numerous. Together with sales series, which rank second in frequency, they comprise almost 45 percent of the total. Production series number only 117; even when combined with the closely related series on machine activity, they account for less than 15 percent of the total. Series on stocks are encountered less frequently than production series, representing approximately 11 percent of the total. Orders series of various types total 211, almost a fourth of the 882 series studied. Data on new and net orders are compiled more frequently than data on unfilled orders. Series on cancellations and returns are comparatively infrequent, as are series on raw materials.

It will be noted that table 53 shows for some industrial groups a number of series of the same type exceeding the number of associations—in other words, that some associations compile more than one series of the same type. This is particularly true of “shipments” series. It has been explained that this situation may arise when for any product or group of products an association releases series of the same type that are noncomparable in terms of detail in break-down.

Combinations of series.—Because much of the usefulness of current trade statistics arises from the relationships between series, it is desirable to have some measure of the frequency with which various combinations of series appear among the statistics compiled by trade associations. Since the purpose of such a tabulation is to disclose the prevalence of series that can be used in combination for comparative purposes, it is necessary that the analysis be made on a product or product-group basis rather than an association basis. Otherwise, a combination of sales and production data might, for example, be noted for an association that collected production data on one group of products and sales data on another group of products, despite the fact that there could be no possibility of comparison between the two series. Table 54 shows a distribution of 305 products or product groups according to the number of different types of statistical information compiled for each of them. Series on raw materials were omitted from the tabulation, as were the “miscellaneous” series, so that a maximum of 10 possible series could be collected on each product group. Because of these omissions and because it eliminates the duplication arising in those cases in which an association compiles more than one series of the same type, the table covers 661 of the 995 series included in the sample.

The most striking fact emerging from the table is the high proportion of products or product groups for which a single statistical series is collected. This is true for approximately 52 percent of the 305 product groups. Sales and/or shipments data only were compiled

for 132 products or product groups, production and/or machine activity data for 16, data on orders for 11, data on stocks for 5, and data on cancelations for one.⁶ Two out of the 10 statistical series were compiled for 47 of the product groups, 3 series for 41 groups, 4 series for 18 groups, 5 series for 30 groups, 6 series for 7 groups, and 7 series for 3 groups. For no product group were more than 7 of the 10 types of statistical series compiled.

Specific combinations of series that are in common use also have been indicated. Comparison between a production series and a parallel shipments or sales series was possible in the case of 71 of the 305 products or product groups, or approximately 23 percent of the total. Inasmuch as significant supply and demand comparisons may be drawn from any 2-out-of-3 combination of (1) production, (2) stocks, and (3) sales or shipments, a count was made of the products having any 2 of the 3 types of data. A total of 86, or approximately 28 percent of the total, product groups resulted. Of this number, 55 groups were found to have all 3 types of information—production, stocks, and either shipments or sales. Another combination of some importance is the so-called "barometer," comprising data on new or net orders, shipments or sales, and production. The series necessary for this type of barometer comparison were found in the case of only 36 product groups, or approximately 12 percent of the total. A combination of 5 basic series is sometimes noted as necessary to provide complete statistical information. Such a combination might include (1) unfilled orders, (2) new or net orders, (3) shipments or sales, (4) production, and (5) stocks. Using this criterion, adequate statistical information was available for only 30, or approximately 10 percent, of the products or product groups included in the tabulation.

Unit or mode of reporting.

According to table 55, current trade-statistics series are predominantly in terms of absolute physical units. Approximately two-thirds of the series are based on quantitative measures only. Another 15 percent of the series are based on both quantitative and value measures. Series based on value only comprise slightly less than 13 percent of the total. Series expressed only in index or ratio form, without absolute figures, are comparatively rare, representing approximately 5 percent of the total. Series expressed only in graphic form represent approximately 1 percent of the 882 series studied.

Frequency of dissemination.

Table 56 shows the 882 current statistical series distributed according to the frequency with which the figures are released to members. Nearly two-thirds of the series are on a monthly basis, with figures released currently for each reporting period. A few of the monthly releases include weekly figures, and 1 includes separate figures for each day of the reporting period. Twenty-one percent of the series

⁶ The total of these separate series, 165, differs from the total of 159 shown in the table because of combinations of production and machine activity in 1 case, and of shipments and sales in 5 cases.

are disseminated at more frequent than monthly intervals. Less than 2 percent of the series are on a semimonthly basis, but 170 series, or 19 percent of the total, are released once a week, and 6 series are released daily. Series disseminated less frequently than once a month represent approximately 12 percent of the total number, quarterly series being the most numerous. Seventeen semiannual series and 33 annual series were included in the tabulation because they were regularly disseminated to the membership, although it is doubtful whether such series provide "current" information on business activity.⁷

There appears to be some tendency toward a shortening of the reporting period, but more frequent releases involve considerable added costs, which many associations are not prepared to incur for the somewhat uncertain, indirect benefits that might result from more current statistical information. Associations that have found their statistical programs a potent force for market stabilization naturally are more ready to bear the costs of more frequent service.

Apart from the frequency with which data are collected and disseminated is the question of how much time elapses after the close of the reporting period before the compiled data are actually available for use. Interviews with association executives and comparison of the date of releases with the period to which the data refer indicate that daily series ordinarily show a lag of only 1 day from the time the data reach the association office to the time the release is mailed to members. Weekly statistics are normally released during the week following the one for which data were submitted, and monthly statistics within 15 days after the close of the month covered. However, the time lag for a monthly series is sometimes as much as 2 or 3 months. The delay may be due to a lack of immediate interest in the data, to dilatory reporting practices of members, coupled with the inability or refusal of the compiling agency to estimate data for missing firms, or it may occasionally be due to inadequate facilities for the prompt tabulation and dissemination of the data.

Some few associations regularly release certain of their statistics by telegraph. Under the N. R. A. considerable emphasis was placed on the importance of simultaneous dissemination to everyone concerned. The present survey has revealed no particular insistence upon this point. It is probable that most associations mail the releases to all members at the same time, but several association executives have stated that the interest in the statistics is frequently great enough to lead members to telephone in for them in advance of the mimeographed or printed release. Pressure from members for the earliest possible release of the statistics appears to encourage the use of estimates for delinquent members. This practice and other measures adopted to speed releases may result in the sacrifice of representativeness for the sake of timeliness.

Coverage and representativeness.

Table 30, previously presented, is suggestive of the coverage of the trade statistics compiled by trade associations. According to this

⁷ Frequency of release could not be determined in the case of 1 percent of the series.

table, of 367 associations that reported trade statistics as a major activity, and for which coverage data are available—

0.6 percent represented 25 percent or less of the industry's volume.

9.5 percent represented 26 to 50 percent of the industry's volume.

34.3 percent represented 51 to 75 percent of the industry's volume.

55.6 percent represented over 75 percent of the industry's volume.

These data indicate that a majority of trade associations engaged in trade statistics as a major activity represents more than 75 percent of the business volume of their industry; and that few associations that represent 50 percent or less of their industry's volume emphasize trade statistics.

These data, of course, have certain limitations in indicating the actual coverage of the series issued by trade associations. On the one hand, they do not reflect the partial coverage of those series that cover only some of the trade association members; and, on the other hand, they fail to account for those series that cover members of the industry who are not members of the association. The coverage of only 91 of the 882 series included in the sample analysis was indicated on the statistical releases. In terms of industry volume approximately 60 percent of these 91 series had a coverage in excess of 75 percent; approximately 30 percent, 1 from 51 to 75 percent; and approximately 10 percent, 1 of 50 percent or less. Such data, however, cannot safely be taken as representative. Of little more value is the information that 205 of the 882 series are known to include data for 1 or more nonmember companies, whereas 128 definitely do not include data for nonmember companies; no information concerning nonmember participation was available for the remaining 549 series.

The omission from the releases of information concerning the coverage of the data presented may be inadvertent in some cases and may detract very little from the value of the release to members who are familiar with the industry and the series. They may know that all association members report, or that nonreporting members represent an insignificant portion of total industry volume. Or they may know that the reports regularly exclude the figures for one large company and can make due allowance for this fact in interpreting the data. If the coverage of the series is consistent from one period to another, the usefulness may not be seriously impaired by the lack of complete coverage or the absence of any explicit statement of coverage. Not infrequently, however, the failure to indicate coverage reflects a real inability on the part of the compiling agency to arrive at any satisfactory measure or estimate of the total industry volume. In such cases the association may have satisfied itself and its members that the coverage is sufficient to insure representativeness and reflect trends accurately, but there is no objective criterion by which the outsider can appraise the representativeness of the series.

A number of associations whose current statistics have only a limited coverage attempt, where the product classifications are comparable, to measure their representativeness by checking them against industry aggregates as reported in the Biennial Census of Manufacturers. Or the association may attempt to use the relationships disclosed as a basis for raising current reported data to estimated

industry totals. Other associations arrive at estimated industry totals by stepping up the reported figures on the basis of industry capacity figures. The validity of such estimated series depends, of course, on the relative magnitude of the reporting and nonreporting segments of the industry and on the reliability of the index used for stepping up reported figures. If the nonreporting companies account for a substantial volume of business, an error in estimating may distort the trend figures completely and render the estimated totals more misleading than the reported figures for a much smaller portion of the industry, especially since the limited coverage of the latter probably would cause them to be interpreted more cautiously.

Other associations use the device of identical firm reporting in an effort to obtain comparable trend figures. If the identical firm series covers a substantial portion of the industry volume, it will, of course, afford more reliable information on trends than would be a nonidentical series of approximately equal coverage. But if the selected firms produce a minor or varying portion of the industry volume, there is a real danger that the series will gradually diverge in trend from the balance of the industry and cease to be representative. In recognition of this danger, some associations supply their members with parallel series—one presenting reports from identical firms and another showing estimated industry totals. The latter may be based on the former series, however, and thus reflect its weakness. This type of identical firm series includes the same firms over a protracted period of time. Another form of identical firm reporting is commonly used by associations having a relatively complete industry coverage but some variation in the number of companies reporting promptly each period. In such circumstances, the current release will include figures from all firms that have submitted data, and the comparative figures for previous periods will be adjusted to include the same group of companies. In other words, the figures on any given release refer to identical firms, but consecutive releases may cover slightly different groups.⁸ This method of maintaining comparability permits greater flexibility in compiling and releasing data promptly and in altering the sample coverage, but its successful use over a period of time requires that a complete file of reports be maintained for each company participating in the series. In a few of the industries in which the statistics cover a varying number of plants of approximately equal size, comparisons of the level of activity may be made in terms of the average (mean) production or sales per reporting unit.⁸

The analysis of statistical series disclosed 65 instances in which it was specified on the release that the data were based on identical firm reports. It was not practicable, on the basis of the sample releases and other information available, to distinguish between those series that maintained a constant coverage from one period to the next and those that regularly adjusted previous data to cover the identical firms included in the current report. The proportion of current trade statistics series covering a constant sample undoubtedly is much greater than is suggested by the above figure, inasmuch as many series that do not explicitly stress identical firm reporting undoubtedly regularly include reports from the same companies.

⁸ In this connection see the description of the statistics of the Southern Pine Association, below, pp. 227 ff.

In general, associations concerned with trend data try to preserve the comparability of the sample at least over short periods and, when important changes occur in the composition of the reporting group, will attempt to carry through adjustments for preceding periods to allow for the omission or addition of companies. Some associations merely advise their members of the change in the sample and allow them to make their own calculations of its effect on aggregates for earlier periods. The more common, and probably the preferable, practice is for the association to make the correction. While members of the industry may be in a position to appraise the effects of the change, it would be extremely difficult for outsiders to do so.

When changes occur in the number of reporting firms, the association not only must adjust figures to preserve comparability of the series but often must make this adjustment in such a manner that the figures of the company discontinuing or just beginning to report will not be disclosed. A revision that involves less than three firms can rarely be made without revealing individual company figures to one or more rival concerns. Consequently, associations may continue to estimate figures for a firm long after it has ceased to report. The statistical hazards attending this practice are obvious.

Two other aspects of coverage concern the proportion of the industry's products for which data are compiled and the geographic areas represented. Some associations collect very detailed data on one or more products but no information at all concerning other segments of the industry production. Examples of partial product coverage are abundant, but it is even more difficult to arrive at a quantitative measure of product coverage than of company or volume coverage. Inclusion or exclusion of particular products or groups of products may be dictated by the relative importance of the various products in bulk and sales value, the intensity of competition prevailing within the industry and with substitute products outside the industry, and the difficulties attending the collection and analysis of the data. Many associations collect data only on standard products or those that are produced by a majority of the industry members. Federated associations, or those associations that are organized into product or geographic divisions, are apt to show a very uneven development of statistical services, depending on the degree of central supervision, the cohesiveness of the member groups, and their interest in cooperative measures of control. Thus, some regional or local associations may successfully undertake the collection of detailed statistics that could never be maintained on a national basis. The competitive situation in some geographic areas may be more intense than in others and call for more current information on supply and demand relationships to prevent unbalanced market conditions.

Extent of definitions, instructions, and comment on releases.

Examination of the statistical releases of trade associations reveals a striking neglect of definitions and instructions. Only 68 of the 882 releases covered in the sample analysis included definitions or explanations of the items contained therein. The absence of such information on the release may be quite unimportant to participating members, inasmuch as they may be thoroughly acquainted with the data submitted and with the procedures used in compiling them.

The majority of associations supply their members with standard reporting forms. Definitions of terms and full instructions for reporting data are often printed on these reporting forms and omitted from the release forms. Members may be instructed by letter or in meetings concerning the proper definition of and method of reporting different items. If such measures have been effective in securing uniformity in reporting practice, it is of little moment to the members that the release, for example, fails to define "orders" as exclusive or inclusive of cancellations or to explain the difference between the shipments and the sales series. But such omissions detract considerably from the value of the series to outsiders who do not have access to reporting forms or instructions.

Statistical releases covering daily, weekly, or monthly data ordinarily are accompanied by very limited comment or no comment at all. Such remarks as do appear usually are descriptive and not analytical in character. Statistics covering longer periods of time are more often accompanied by a review of past market situations, coupled with an appraisal of general economic conditions in the past, present, and future. The critical attitude displayed by the courts concerning interpretative comment designed to sway industry members toward some common course of action has led many associations to refrain from any comment on releases, for fear it will be construed as undesirable by the Federal Trade Commission or the Department of Justice. With the abandonment of interpretative comment, greater attention has been focused on various types of comparative analysis for pointing up the meaning and implications of the figures and on the education of members regarding certain patterns of interpretation and response. In addition to devising more statistical guides, some associations have simply transferred interpretative comment from the statistical release to memoranda, news letters, association meetings, and field contacts.

Classification of data.

Many associations have found that the value of their current trade statistics increases in proportion to the detail with which the data are collected and disseminated. Industries differ, of course, in the extent to which classification is feasible and desirable. An association whose members produce a single, uniform commodity obviously has no problem of product classification, but the members may derive considerable benefit from a classification of orders or sales according to geographic location or type of customer. Associations whose members manufacture products in diverse sizes and styles or produce a number of related commodities may require very elaborate product breakdowns to yield significant information on market trends. While it is possible to derive some benefit from a statistical series reflecting total industry sales, the company that specializes in only one kind or grade of product would derive far more benefit from separate series for various product classifications. An adequate product classification likewise makes it possible to measure production and sales in terms of some quantity unit that does not vary in value from one period of time to another. Detailed product classifications are particularly important when it is desired to compare individual company performance with industry performance as regards produc-

tion, sales, new orders, and other operating factors. The importance of a product classification in this connection was urged upon the steel construction industry by a representative of a management firm in the following manner:

With a classification schedule in hand your monthly reports of contracts let, fabrication, shipments, and erection can be broken down so as to permit illuminating comparisons between the performance of the individual plant and that of the group. To illustrate this we can imagine a producer whose principal volume is in one or two classes of work. This may be due to specialization, geographic location, or both. It may be that the type of construction which uses these particular products is not expanding as rapidly as the total market for structural steel. Under these conditions our imaginary fabricator's volume would not expand as rapidly as the industry's total volume. Now, if his statistical service shows him only the trend of the industry's total volume he will have no explanation for the lag in his sales. The lack of detailed information may lead to the natural conclusion that his sales effort is failing. On the other hand, if the industry's total volume is broken down by classes and his volume related to those classes, his statistical service will give him an exact answer to his question. It is conceivable that an individual producer's volume of the classes or shapes in which he specializes may even be increasing more rapidly than the industry's volume of those classes, while his proportion of the industry's total volume is declining. If the break-down by classifications in the statistical report tells him these things, he will feel very differently about his own performance than he would after comparing the bare total of his volume with the bare total for the industry. A statistical service which permits the individual producer to compare the trends of his volume by classes with the industry's trends in the same classes would provide management with needed and useful information.

Similar arguments are advanced in favor of geographic and customer break-downs of data that enable the individual company to compare the trends of his own business with the total business done in a particular area or with a particular class of customers. In some industries it has been found desirable to maintain separate reporting systems for each region, as is the practice of the National Container Association, whose activities are described later in this chapter.⁹ In fact, the statistical programs of most manufacturers' trade associations that have a large or scattered membership are apt to develop along two lines: A separate program for each of various regional or product groups emphasizing individual company comparisons and detailed break-downs and a national program coordinating and summarizing the group statistics to portray industry-wide trends. Examples of associations having such dual statistical programs are the American Paper & Pulp Association, the Rubber Manufacturers Association, the Iron & Steel Institute, and the National Electrical Manufacturers Association.

Standardization and product-classification activities by trade associations must in many cases precede or accompany the development of adequate industry statistics. The mandatory price-filing requirements in N. R. A. codes demonstrated to many industries the necessity for uniform-product classifications as a basis for determining the comparability of prices filed by the various members. A close interrelationship between the trade statistics and standardization work of trade associations is suggested by the high correlation in the ranking of the two activities shown by various tabulations presented in chapter II.¹⁰ Whether the desire for more adequate trade statistics

⁹ Pp. 238 ff.

¹⁰ See tables 29, 30, and 32.

serves as an impetus to standardization and classification of product, or whether the existence of an adequate standardization program spurs the development of the trade statistical program, it is not possible to say. It is clear, however, the two are closely linked as devices for bringing about more stable market conditions. The description of the statistical program of the National Container Association illustrates methods that have been devised to effect comparability of nonstandard products for statistical purposes.

Some indication of the detail with which current trade statistics are classified is given in table 57, which shows the prevalence of various types of break-down. Almost half of the 882 series showed some break-down of the data by type of product or by such attributes as size or grade. Classification of data according to geographic areas was less common, it being found in only 101 of the series. The basis of geographic classification was sometimes that of origin of the product, and sometimes that of destination. Shipments, sales, and new order series were more frequently classified according to destination, that is, the location of the purchaser; production, stocks, and raw material series were classified according to the location of the producers' plants. Classification of orders, shipments, and sales data according to customers or customer classes was found far less often than product or geographic break-downs. The most common form was a break-down of the volume or value figures according to the various customer industries to which goods were sold. Break-downs of sales according to distributor classes and, in some cases, ultimate consumers were encountered with slightly less frequency. Miscellaneous customer break-downs included the separation of Government from other domestic business separate reporting of intra-industry business; new and old customer business; new business and replacement business; and others.

Various and sundry kinds of other break-downs, adapted to the needs of particular industries, included classifications of production by type of process; of machine activity by type of machine; of production and sales by size of plant and by integrated and nonintegrated plants; of "spot" and "contract" business; of sales and orders by time of delivery; of rail and water shipments; of finished stocks on hand and on order, sold and unsold; and of raw material stocks, spot and afloat.

The desire to prevent disclosure of individual company data may inhibit detailed classification of data in some industries, although such classification may be made in other industries with full knowledge and consent of the parties involved that disclosures will result. When production of a particular type or grade of product is concentrated in two companies, for instance, separate figures for this product classification would inevitably reveal to each company the information submitted by his competitor. The increased time and labor required for members to report data in detail and the greater cost of compiling and disseminating the statistics are other considerations deterring the more detailed classifications of data by some associations. Occasionally, objections to more detailed analyses may be made by members who feel that the results would be more valuable to competitors than to themselves. For example, opposition to a proposed regional break-down of statistics was voiced by members of one asso-

ciation in the printing industry on the ground that if the figures disclosed more than average opportunity in a given region, outside competitors would invade the market. This consideration may account for the practice of some associations of tabulating data separately for different regions and distributing the results only within the region.

Some associations favor the filing of duplicate invoices or similar records of every transaction, on the ground that such reports yield the complete detail necessary for any desired break-down and insure uniform classification of the data without imposing any extra labor upon reporting members. Only one step removed from the release of trade statistics in detailed classifications is the practice followed by a few associations of showing the volume of sales, shipments, or orders for each transaction entered into by the members, or of listing and identifying the statistics of each company on the release. This makes the trade statistics available in their greatest detail and in some industries may permit a more thorough analysis and informed view of market conditions and developments than would be possible from any form of classification that would prevent disclosure of individual company data.

ADMINISTRATION OF THE TRADE STATISTICAL SERVICE

In addition to considerations involving the type of administrative agency, the effectiveness of a trade association statistical program depends, in no small degree, on the measures adopted to insure (1) the participation of all members in the reporting program, (2) the regular and prompt submission of data to the compiling agency, (3) the accuracy of the information furnished, and (4) the confidential nature of the individual reports, insofar as this is desired by the membership.

Administrative agency.

The collection, compilation, and distribution of industry statistics is usually carried on in the association office by staff members. In small associations, the executive secretary may handle the statistical service alone, together with all other association functions. Direction of the statistical program, so far as scope and policies are concerned, is frequently placed in the hands of a committee made up of industry members, but these committees rarely participate in the actual collection, tabulation, and dissemination of the data. This arrangement prevents any industry member from having access to the information submitted by his competitors and insures equal treatment of the members with respect to the promptness of reporting and the detail of information made available.

As is indicated in table 33, of the 537 associations that reported the manner of compiling trade statistics, 82 percent indicated that the association staff carried on the activity. Seventeen percent indicated committee participation in some degree. Three percent of the associations reported that the activity was performed by a private agency, exclusive of management organizations, and 7 percent by public or other nonprofit agencies. Another 3 percent failed to specify the type of outside agency employed in this connection. It should be observed

that the above groupings are not mutually exclusive, as a number of associations utilize a combination of services in carrying on their statistical activities.

Trade associations administered by management organizations, as was pointed out in chapter II, characteristically engage in the collection and dissemination of trade statistics. Approximately 59 percent of such associations reported trade statistics as a major activity, whereas the corresponding figure for associations not administered by management organizations was 31 percent. Many of these are small associations that would find it difficult or impossible to pay for the full-time services of a statistician and statistical clerk and provide the equipment necessary for prompt compilation and distribution of industry statistics. The typical management concern performs such services for a number of small associations—frequently in related fields—devising appropriate forms and procedures for tabulating and analyzing the data. The forms, procedures, and methods of analysis used by a particular agency are apt to follow a characteristic pattern, which is modified in detail to suit the varying needs of the industries served. One trade association manager objected to the request that he submit sample copies of the forms used in collecting and disseminating data for the various associations under his management, on the ground that they were part of his stock in trade. Or, in his own words:

* * * we are sending you *examples* and ask that we be excused from furnishing *one each of many different forms*. * * * Forms such as we are using are, in some instances, the result of years of experience in promoting cooperation in statistical reporting. They constitute a part of our stock in trade. You would not ask a physician who was *not* under suspicion, for copies of his 10 most effective prescriptions. * * * Naturally, the complete records in my office are open at all times, to authorized examination and copies of forms and of compiled reports have never been refused, when they were to be used as part of a completed record which would *not* be open to more or less public scrutiny.

The management concern offers the small association the advantages of wide experience in operating statistical programs and the services of a technically trained staff on a part-time basis. It is also able to integrate the statistical activities with other phases of the program and to influence the scope and application of the reporting plan—advantages not shared by private agencies retained solely for the purpose of assembling, tabulating, and disseminating data prescribed by the association.

Some instances have come to attention in which private organizations have been created or used apart from the regular trade association to perform statistical services for the association members.¹¹ There is reason to believe that on occasion these organizations may serve as a means whereby the association membership, or a part of the membership, can carry on cooperative activities that the trade association itself does not wish to sponsor openly. Thus, one trade association boasts that it maintains a very complete statistical service, and yet there are in existence in that industry two outside organizations, called the Eastern Statistical Service and the Western Statistical Service, which are operated by the association executive acting in a private capacity as head of an incorporated concern.

¹¹ In this connection see the description of statistics in the Southern Pine Industry, below, pp. 234 ff.

This trade association admits no connection with these outside agencies. In a 1935 report on this industry, an N. R. A. staff member wrote:

Summarizing our presentation of the control schemes which are in operation in the * * * industry at the present time, we find that there is, so to say, an inner group of leading companies accounting for roughly half of the total industry production and adhering to the very severe restrictive measures which are embodied in the contracts with the * * * Corporation, and an outer group consisting of the [rest of the] membership * * *. The production of this latter group amounts to about another 40 percent of the aggregate industry output. The regulation of production applied to this group on the basis of the statistical reporting service of the * * * Association is of a much looser kind than the one enacted through the * * * Corporation, but tends to work in the same direction.

No effort was made in the present survey to canvass or contact private statistical services that are not openly under the auspices of or employed by trade associations.

Measures to insure participation.

The collection of trade statistics is essentially a cooperative activity and in most trade associations is conducted entirely on the basis of voluntary participation. In some industries, notably those with many small units, the association executive may be faced with a major problem of educating the membership to the value of trade statistics in general and their application to the industry in question. Thus, one executive reports extreme difficulty in securing support for any statistical program. Industry executives, he says—

are extremely reluctant to give any figures, are suspicious of those requesting them and of each other. They do not know how to employ statistics in planning their business so see no use of them.

The executive in this case is attempting the collection of wage-and-hour data for use in labor negotiations, with the hope that this will prove an entering wedge for a more extensive statistical program. Even those associations that have established statistical programs frequently find it difficult to get a substantial number of members to participate. Some members simply do not wish to go to the trouble of compiling the necessary reports, and others are disinclined to reveal information which they regard as valuable operating data for their own company; still others may refrain from participation because of doubts concerning the legality of certain elements of the association program.

The statistical service usually is put on a reciprocal basis, the complete results being sent only to those that submit data for their own companies. It is claimed that it is a necessary device to induce members to participate in the statistical program, inasmuch as members are unwilling to submit data for their own companies if they can obtain the releases without doing so. There is doubtless much truth in the contention that members submitting statistics are reluctant to share the benefits of the statistical reports with nonparticipating members, especially with nonmembers who contribute nothing to the support of the association. There is less evidence to indicate that the withholding of statistical releases acts as a positive inducement to participation in the statistical program. The effectiveness of the practice is limited by the extent to which nonparticipants are conscious of the benefits to

be obtained from the statistics and feel it a hardship to do without them. In recognition of this fact many associations have used the device of a "free trial," or occasional release, to stimulate the interest of nonparticipating members in the statistical program. Some associations believe that the full benefit of the statistical program can be realized only by disseminating the releases to all industry members, regardless of their cooperation in submitting data. Otherwise, companies that are not informed of current market conditions may engage in disruptive competitive tactics and defeat the association efforts to bring about more stable market relationships.

Pecuniary incentives sometimes are offered to enlist cooperation in the statistical program. One case has been noted in which the membership fee for a company was reduced from \$100 to \$10 as a means of persuading it to continue participation in the statistical program. Another association followed the practice of reducing by 1 percent the quarterly dues of all companies that reported statistics regularly and promptly during the preceding 3-month period.

The requirement that members submit statistics is specifically included in the constitutions or bylaws of a number of trade associations. The following provisions are typical:

Members shall supply such statistics and data as may be required by the Executive Committee, provided such statistics and data be requested from all members.

Each member shall promptly forward to the Secretary of the National Association such reports and statistics as he may, from time to time, be authorized to assemble.

The constitution of another association provides that each member must submit the reports requested and gives to the business manager, with the approval of the executive committee, the power to examine and audit records of members insofar as they pertain to reports. Elsewhere in the constitution it is provided that members may be suspended for delinquency in payment of dues or for failure to submit statistics for 2 months. If the delinquency is not removed within 30 days the member may be expelled. The presence of such a mandatory requirement in the constitution or bylaws of an association is undoubtedly a deterrent to casual neglect or delinquency in member participation. Strict enforcement of such provisions probably is rare, but one such instance was noted. A member of the association was called before the executive committee to explain his failure to report data on a particular product. He maintained that he could not do so for "ethical" reasons (presumably it would have revealed confidential relationships with some customer). The executive committee, before taking action in the matter, referred back to the association the question of relaxing the constitutional provision making reporting mandatory. The association voted to reaffirm the requirement. There is no direct reference in the minutes to expulsion of the delinquent member, but the minutes for the next meeting of the association omitted his name from the list of members.

Many associations have followed the practice of canvassing the membership before launching a proposed statistical service and have undertaken the collection and dissemination of certain types of statistics only after a given percentage of members, or members

representing a given proportion of industry volume, have indicated in writing a willingness to participate. In such cases the individual member's agreement to report usually is made contingent upon the participation of other members—occasionally upon the participation of one particular competitor or group of competitors.

Measures to insure promptness of reporting.

The emphasis placed by most trade associations on prompt dissemination of statistical reports calls for equal emphasis on the prompt submission of data by participating members. The shorter the reporting period basis, the more important it is that the data reach the association office promptly.

In numerous associations the executive continually seeks, through speeches, correspondence, telephone calls, telegrams, and personal visits, to impress members with the necessity for promptness in reporting. Statistical forms are widely used to simplify the process of making returns. These forms may be supplied in advance, but many associations forward the reporting form, with or without a letter of reminder, a few days before it is due in the association office. If statistical releases are made monthly or weekly, the form for the ensuing period may be sent with the current release. Where reports are made weekly or daily, there is less need of a routine reminder but a correspondingly greater need for checking promptly upon firms that are late in making returns. Not infrequently the data for delinquent firms are obtained by telephone or telegram, the information being confirmed by a written report later. In other cases the compilation may be delayed until the missing report arrives, or estimated figures may be used for the tardy firm. Some associations avoid both delays and estimates by issuing the release on schedule, with the notation that data are missing for delinquent firms. Subsequent releases ordinarily are revised to include the missing data and to substitute actual for estimated figures. The necessity, or absence of necessity, for concealing individual company data may influence the practice of an association in this connection. Some associations enforce very exacting requirements concerning the prompt mailing of reports. One association's daily report form specified that the report should be mailed by a certain hour each day to arrive at the association office by a certain hour of the succeeding day. Weekly reports frequently specify that the report must be mailed the day following the close of the period; monthly reports ordinarily allow 3 to 5 days for the filing of reports, but cases have been noted in which much longer delays were permitted.

Measures to insure accuracy.

For the most part trade associations rely on the honesty and competence of their members to report the information called for and make little or no effort to verify the accuracy of the reported figures. Most association secretaries questioned on this point expressed the belief that members reported correctly and completely and that it was necessary to check the data only for obvious and unintentional errors. Such errors ordinarily were called to the attention of the reporting firm, and the corrected figure obtained by letter or telephone.

The use of uniform reporting blanks, together with careful instructions for filling out the blanks, helps to reduce errors. Occasionally these blanks are drawn up in the form of a balance sheet, so that the items can be checked against one another. For example, the Copper and Brass Mill Products Association's report on scrap provides entries for scrap on hand at beginning of month, additions from receipt and purchases and from mill process scrap, scrap used during the month, and scrap on hand at end of month. The statistical form used by another association asks the reporting member to note, in reporting items on stocks and production, that "Stocks, 1st day of month + Production" - "Shipped + Used" = "Stocks, last day of month."

Associations frequently follow the practice of requiring returns to be signed by the reporting official; such forms usually include a statement certifying that the data are correct and complete. A few associations require that the reports be sworn to before a notary public.

A few associations reported "spot checks" of members' books to ascertain the accuracy of the statistical reports, stating that these checks were not intended primarily to discover cases of dishonest reporting but to make sure that the members clearly understood the preparation of the forms and were reporting on a uniform basis. In contrast to such informal checks, which are made only occasionally and with the active cooperation of the members concerned, is the mandatory requirement that members permit the auditing of their books as a check upon the accuracy of their statistical reports. One secretary admitted frankly that an association proposal to audit members' records arose from the fact that members did not trust one another to report honestly. Other executives stress the importance of auditing as a means for instilling confidence in the industry statistics, thus enhancing the willingness of members to be guided by them. Considerable difference of opinion exists among trade association executives concerning the desirability of auditing. Several indicated that the checking up was personally distasteful to them or that it impaired their personal relations with the members by interposing an atmosphere of suspicion into relations that theretofore had been characterized by frankness and mutual confidence. The periodic auditing of all members' books as a routine part of the statistical plan is less likely to be interpreted as a check upon the honesty of a particular firm and hence is less likely to arouse resentment. But such a procedure is costly and has aroused some unfavorable attention from the courts as an unwarranted degree of supervision of the business of association members. The recent indictments of the Department of Justice against the Kraft Paper Association and the National Container Association list among the methods used to carry out the alleged restraints of trade those of periodic audits and examinations of books and records of members by field auditors and representatives.

It is not surprising that members of associations openly or tacitly sponsoring plans for voluntary sharing of business on the basis of past and current operating records should be concerned with the accuracy of the statistical data submitted by their competitors. The

mutual confidence that is necessary for any program of concerted action, whether of voluntary or a mandatory nature, obviously is bolstered by the knowledge that an impartial check is being maintained on every member participating in the statistical program. But even where there is no express or implied intent to predicate group action on the statistical reports, it is, of course, important that the data submitted be complete and accurate. One association expert, advocating that statistical reporting be placed on a contractual basis, has expressed the following opinion:

The faithful performance of promises to supply facts for the mutual benefit of buyers and sellers in the industry is a basic requirement, and should be dealt with in a thoroughly businesslike manner. The effort to collect data certainly is not worth while unless the results inspire that degree of confidence which is necessary to cause them to be used as the basis of current business decisions. Incomplete or inaccurate data are worthless for this purpose. The same business devices upon which trade and commerce rely for the execution of promises made in good faith should be utilized in connection with trade-association obligations of this sort. Too often such obligations are put on the par with casual promises or cooperation made in paternal or social groups. In undertaking to build up a body of facts as a substitute for false or misleading rumors, the casual promise is entirely inadequate. The law-merchant provides us with well-tested and thoroughly effective tools with which to work. The certainties of the law of contracts can be substituted for the uncertainties of casual and informal promises of cooperation.¹²

Measures to insure confidential handling.

Some few associations make it a practice fully to disclose individual company data in the statistical releases disseminated to the membership. Ordinarily, however, members submit reports to the association office with the understanding that individual company figures will be held confidential and the data released only in the form of industry totals or summaries that will not reveal the status of individual company operations.

The precautions taken to insure the confidential character of the reports vary widely from one association to another, reflecting the intensity of competition in the industry, the presence of mutual trust or distrust among the membership, and the degree of confidence reposed in the association executive. A number of associations incorporate in their constitution or bylaws the obligations of the secretary in this respect. For example, one provision reads as follows:

No member of this association shall be permitted to have access to any reports furnished by another member, nor shall the Business Manager be permitted to disclose to anyone any information, save for the summary above mentioned, contained in any reports made by another.

This provision was followed by one forbidding the business manager to have any financial interest in any company in the industry served.

Various devices for preventing accidental disclosures of individual company data are employed by associations. One executive stated that the original report submitted by members is entered "into an adding machine and nowhere else," and returned to the company. One plan for concealing the figures of individual companies might almost be characterized as not letting the right hand know what the left hand does. This plan was explained by an association executive

¹² Albert E. Sawyer, "Accounting and Distribution Techniques as Voluntary Devices to Eliminate Abuses in Marketing," the Accounting Review, vol. XIV, No. 2 (June 1939), pp. 114-115.

who was asked to identify the outside agency used by his association to tabulate statistical data for the industry. The letter is quoted in detail because it indicates, as part of one scheme, various devices used singly or in combination to preserve the secrecy of individual company figures:

Now it is a part of this entire plan of collecting information from the industry and tabulating it that no one but myself shall know who the outside tabulator is. * * *

The only basis upon which statistical work of this character could be undertaken in our industry was such handling of reports from individual companies as would guarantee that no individual company figure would ever become known to anyone. The system which I devised to meet this situation may be briefly described as follows:

1. The report blanks upon which the individual companies send in their figures are individually numbered. No one except myself has the key to the numbers—not even any clerk in my own office is permitted to have anything to do with the making of this numbered list. I make the numbered list with my own hand. I am, therefore, the only person in the world who knows for what company any individual number stands. This numbered list is kept in a safe-deposit vault, the location of which is unknown to anyone except myself.

2. Returns on these numbered blanks come in two envelopes. The outer envelope is of a certain type addressed confidentially and personally to me. No one else in our office is permitted to open one of these envelopes—and if anyone does they will be immediately discharged. Inside is an inner envelope numbered to correspond with the report. A sample of that inner envelope is enclosed, and you will find it stated thereon that if this inner envelope is sealed it will not be opened by me. In that case, the one person who will see the report will be the outside accountant who tabulates the reports, and who, of course, does not know for what company the number stands, because I, myself, have the only list of numbers, and no one else has access to that list.

3. The outside accountant who does the tabulating is known only to myself; even his pay for the work he does is handed to him in cash by me so that there will be no blank check or other means of tracing his name. I deliver the returns from the individual companies, personally, to this accountant, always outside my own office. There is no means in the world whereby anyone may know who he is.

Under these circumstances, you will see that the entire basis of the tabulation is that not a soul, including myself, will ever be able to connect any individual figure with the company that supplies it. If I die, or am ill, there will be no sales census—but on the other hand there will never be any leak of any individual company figure.

Under these circumstances, you will see that it is not possible for me to list in response to question No. 25, the name or any other information concerning the outside accountant who makes these tabulations for me. All that I can say to you is that he is a certified public accountant, and that so far as I know he is doing no work of any similar character for any other trade association. The scheme that has been developed, as outlined above, is entirely my own plan; and without it there would be in this particular industry no tabulations whatsoever, because the companies are unwilling to give confidential figures to any agency or office where there could conceivably be a leak concerning any individual company's business.

One association that had previously made use of an auditing firm to compile confidential data on sales found it desirable, as an economy measure, to substitute a form of percentage reporting, which apparently satisfied the members' desire for secrecy of individual company data. A letter to the members explained the proposal as follows:

Your Statistics Committee is still active, and has devised a Statistical Form which we believe will do away with the necessity of handling the collection of data through an accountant.

We believe that the information we ask for will be easy to furnish. We do not ask for any of your figures, but we do ask for percentages of increase or decrease of sales of one period as compared with another. The enclosed outline is self-explanatory.

You can rest assured that even the percentages that you file with the Institute will be available only to the Secretary and staff of the Institute Offices.

The purpose of this compilation is to show you what the trend of the sales on these products is, in the aggregate, for all those members reporting.

No individual company's percentage-figures will show on our ultimate charts; but you will see the total percentage of all those reporting, whether it be increase or decrease.

It is evident that the summary percentages of increase or decrease could be prepared accurately only if base figures for each company were available to the association executive and, if base figures were available, that the executive could derive the current absolute figures for each company with relatively little difficulty.

DISSEMINATION OF TRADE STATISTICS

Experience has shown that relatively few trade associations regularly broadcast their current trade statistics to their customers or to the general public. Likewise many of them fail to make their statistics available to members of the industry that stand aloof from the association or from its reporting program. But there is a fundamental difference in attitude toward the two types of dissemination.

Most associations welcome the participation in the statistical program of industry members outside the association. In such cases the disinclination to have nonmembers benefit from something they have not helped to pay for is more than counterbalanced by the desire for improved coverage of the statistical series and recognition of the salutary effect that the statistical information may have on the competitive behavior of the nonmember. In other words, the wider dissemination in no way detracts from the value of the statistics to association members. Instead, it enhances them. The distribution of trade statistics to members of the industry who do not participate in the reporting program, on the other hand, is not a common practice. The argument advanced against such a practice is simply that if the data were regularly made available to them, nonmembers would have little incentive to join the association or participate in the reporting program.

The dissemination of the industry statistics to customers and the general public introduces different considerations. While it may be freely conceded that the greatest public benefits from current trade statistics can be expected when the facts about market conditions are in the hands of both buyers and sellers, it by no means follows that the interests of industry members will be best served by this arrangement. In many industries a strategic advantage undoubtedly is enjoyed by sellers that have information not available to prospective buyers, and it cannot be expected that they will forego that advantage unless constrained to do so. The failure of associations in other industries to give widespread publicity to their statistics is due more to the expense and inconvenience which such a program would entail than to a desire to maintain the confidential nature of the data.

Extent of dissemination.

In table 58 various degrees of publicity given by associations to their trade statistics are indicated, ranging from the distribution to participating members only, to a completely unrestricted distribution of data to anyone requesting them. Intermediate degrees of pub-

licity noted include dissemination to all members of the industry regardless of participation; dissemination to the Survey of Current Business or other Government agency, and dissemination to the trade or general press. Each series is listed only once—under the widest degree of dissemination that it receives. Thus, series that are available to the trade or general press presumably are available also to Government agencies and all members of the industry, as well. Of the 882 series, 492, or approximately 56 percent, are sent only to members that participate in the reporting program. In the case of 5 of the 492 series, it was definitely specified that the data distributed to each member covered only the products upon which he reported or the regions in which he reported sales or shipments. Ten series, or slightly over 1 percent of the total, are available to all members of the industry but not to Government agencies or other parties; 158 series, or about 18 percent of the total, are sent either to the Survey of Current Business or other Government agency, and 44 series, or 5 percent of the total, are disseminated through a trade journal or the general press. In 13 cases, it was indicated that the series were generally available to anyone requesting the data.¹³ The extent of dissemination could not be ascertained for 165 series, or approximately 19 percent of the total.

Table 59 indicates the extent of dissemination of trade statistics on an association rather than on a series basis. In this table each association was listed only once, classified according to the widest dissemination that any of its series received. One hundred and seventy-four, or about 66 percent, of the 264 associations included in the tabulation limit the dissemination of their series to participating members only. Three percent distribute one or more of their series to all members of the industry, regardless of participation, but do not send their data to Government agencies. Approximately 12 percent forward one or more of their series to the Survey of Current Business or other Government agency; somewhat over 6 percent compile one or more series that are released through trade journals or the general press; and 3 percent make their data available to anyone requesting them. It was not possible to ascertain the extent of the dissemination received by the series compiled by the remaining associations, which constitute approximately 10 percent of the total.

In general, it appears that relatively few associations distribute current, weekly, or monthly statistics to persons outside the industry. More of them give wide distribution to statistics covering longer periods of time or publish annual summaries of figures previously disseminated to members. Similarly, a more favorable attitude prevails toward the distribution of summarized data for the industry as a whole than of detailed data for specific product or regional groups. A number of large national associations are entirely ready to broadcast composite series on production, sales, new orders, et cetera, but access to the particularized reports, prepared and disseminated to various product or regional groups in these associations, tends to be restricted to participating members. The forwarding of all statistical releases to some Government agency, such as the Federal Trade

¹³ Current series compiled by the Bureau of the Census in cooperation with trade associations are always available to anyone requesting the data. As noted previously, such series are not included in the tabular analysis, which was limited to statistical series collected by associations. Also omitted from the tabulation are series collected by trade associations that receive no dissemination of any kind.

Commission or the Survey of Current Business, is a form of "constructive publicity" adopted by some trade associations; and many more associations undoubtedly would thus file their releases if they were actively encouraged or were requested by such agencies to do so. The filing of releases in this manner insures Government access to the data. Because of the limited Government republication of trade association statistics, however, such constructive publicity has not been an effective substitute for complete, direct dissemination or availability of the data to the trade. Such a dissemination might be attained through publication of the detailed statistics in trade journals or in the general press, but this practice has been comparatively rare. Not infrequently the data are of interest to a very limited public, and neither the trade nor general press wishes to publish them regularly or in detail. One association executive, for instance, stated that his association formerly mailed its releases to a trade journal but had ceased to do so because they were never published.

Statements are sometimes made by trade associations that their statistics are "generally available" or "available to all interested parties." Investigation disclosed that in some instances industry members outside the association received releases only occasionally or on a free-trial basis. In other instances nonmembers regularly received reports but at less frequent intervals than did the members. Thus, one association stated that it sent a monthly release to contributors and a quarterly release to all members of the industry. Another association issues three classes of trade and price statistics: (1) To the general public (press releases); (2) to the industry as a whole ("not of public interest"); and (3) confidential to contributors. One association charged nonmembers \$100 for a subscription to the monthly statistical release, which was furnished free to members. Such a requirement may be an entirely reasonable way of allocating the cost of the statistical service, but it modifies the connotation of the phrase "available to all interested parties." The terms, "availability," and "interested parties" are elastic ones and invite further questions: Will the material be mailed upon request or for a nominal, or reasonable fee? Must the inquirer go to association headquarters to scrutinize it? How must he qualify as an interested party? Experience with price filing plans under the N. R. A. revealed that similarly restrictive or qualifying provisions often resulted in the actual publicity achieved by such plans falling far short of the publicity requirements in the codes.¹⁴

Dissemination through the Survey of Current Business.

Government participation in the dissemination of available trade statistics dates from 1921, when the Survey of Current Business was created in the Department of Commerce. Establishment of the Survey was part of a general movement on the part of the Department of Commerce to cooperate with trade associations in the collection and publication of current trade statistics. The Supreme Court decision in the *Hardwood case*, condemning certain kinds of statistical activity, led to increased emphasis on these cooperative efforts. By providing facilities for prompt and widespread dissemination of

¹⁴ See N. R. A. Division of Review, Price Filing under N. R. A. Codes, Work Materials No. 76, pp. 152-162.

data compiled by various agencies of the Government and by private organizations, the Department hoped to extend the constructive benefits of current business statistics and, at the same time, to enable trade associations to continue the legitimate collection and use of industry statistics under adequate safeguards of publicity.

The Survey was originally under the direction of the Bureau of the Census. The annual report of the Director in 1921 referred to the Survey as a publication in which statistics that were already being gathered independently by various Government bureaus, trade associations, and publications had been brought together, systematized, and reduced to a common denominator by the use of index numbers, so as to indicate on a comparable basis the movement of different lines of business or commercial activity from month to month. Current trade statistics compiled directly by the Bureau of the Census in cooperation with trade associations also were published in the Survey, and it was contemplated that these series would form a gradually increasing portion of the available series and round out a comprehensive body of current trade statistics for the basic or key industries of the country. In June 1930 the Survey was transferred to the Bureau of Foreign and Domestic Commerce.

The scope of the Survey has been gradually expanded and now covers more than 2,000 time series¹⁵ compiled by over 200 different Government and non-Government sources. In addition to the regular monthly issues of the Survey, a 4-page weekly supplement is issued presenting tables and charts of weekly data, advance information of the more important monthly series received between publication dates of the regular issues, and a brief sketch of business trends. Five comprehensive annual summaries of the monthly statistical series have been issued, the latest of which is the 1939 supplement. Not more than 20 percent of the time series included in the 1938 supplement were originally compiled by trade associations.

In 1939, 76 national and regional trade associations regularly submitted trade statistics to the Survey. Only a portion of the trade statistics that were submitted, however, were published by the Survey. Some statistical data of 65 of these 76 associations were published.¹⁶ None of the data submitted by the other 11 associations were published. Of the 65 associations, some of whose data were published, there were 9 that submitted one or more series no part of which was published. And of the same 65 associations there were 36 associations which submitted one or more series that were published in partial or summary form only.

Selection of the series to be reprinted in the Survey is governed by both technical and practical considerations. Representativeness, accuracy, and comparability of the series from one period to another are primary requisites. Appraisal of the series in these respects involves no fixed criteria, but each series solicited or voluntarily submitted for publication is subjected to careful examination and rejected if unsatisfactory in coverage or manner of compilation. Various series have been dropped from the Survey because of shifting coverage or other inadequacies. Considerations of expense and limited

¹⁵ These include price and employment data and various composite business indexes, as well as trade statistics series.

¹⁶ Exclusive of trade statistics currently compiled by the Bureau of the Census at the initiative of, or in cooperation with, trade associations.

space result in the exclusion of some series that are of limited public interest or cover industries or products of relatively minor importance in the national economy.

Price statistics collected by trade associations are not included in the Survey. Wholesale and retail price indexes of the Bureau of Labor Statistics are reprinted, together with price series compiled by the Department of Agriculture and other Government agencies, and price indexes compiled by various private agencies and trade journals.

The data that are received from trade associations but not published for the most part are available to anyone wishing to consult them at the offices of the Survey. Requests for access to the data come primarily from employees of various Government agencies. There is no provision for disseminating the data in response to telephone or mail requests.¹⁷ The data are not tabulated in any way unless they are to be republished, and copies of the original report are not available for distribution. Over and above these practical limitations on the availability of the unpublished data are occasional restrictions imposed by the trade associations submitting the reports. These restrictions relate usually to the disclosure of the detailed break-downs of the data on current reports.

OBJECTIVES AND USES OF TRADE STATISTICS

A trade association executive seeking to enlist industry support for a statistical reporting plan is apt to stress the practical benefits to be attained by the members. While some executives like to refer to their industry statistics as the "guideposts of industry," "the tools of management," or "the charts by which industry must steer its course," there is a tendency when addressing the membership to define the objectives of the statistical work in specific terms and to measure its ultimate usefulness by the increased profits to association members. Objectives frequently cited include the disclosing of market opportunities, a more orderly marketing, a stabilized price level, the prevention of ruinous price competition, demonstration of the futility of seeking volume at the expense of competitors, elimination of sales below cost, discouraging of overproduction, and the avoidance of surplus stocks that depress price levels. The following statements taken from materials submitted by various trade associations indicate the manner in which the effects that have been or may be attained from a statistical program are described:

They have made possible the achievement of more intelligent and orderly competition.

These statistics in themselves have done more than any other thing to develop confidence and to permit each member to formulate his individual policy based on a knowledge of conditions, with full considerations to the best interests of the industry.

They warn members not to go after a market that isn't there.

They avert disastrous price cutting when the market is contracting and warn the member to get his share when the market is expanding.

Misery loves company. When a member finds he is no worse off than others in the industry he does not go so desperately after volume as he would if he believed his were the only sales that were declining.

¹⁷ For data that are published in the Survey complete, revised records are available in photostat for a small charge.

There is a psychology of reassurance in finding that when your sales are falling those of your competitors are also declining and you accept the situation, when if you believed the decline to be confined to yourself you would have gone to drastic extremes to regain your lost sales volume.

They permit each member to equate his own position and often prevent wild plunging after vanishing markets.

Statistics contribute a moderating influence in price cutting by members.

Statistical data make it possible for the member to acquaint himself with industry conditions and thus intelligently to conduct his own business. Without the data it would be difficult for him to visualize the relation of his particular problems to those of the industry as a whole and to recognize that his well-being was and is inextricably bound up in that of the industry. Information permits rationalized competitive conditions. * * * In large part, fact has supplanted rumor, with a consequent tendency to the elimination of destructive competitive practices and their harmful effects upon the quality of product and service, as well as upon adequate compensation to labor, management, and capital.

Stated in such terms, the central objectives of statistical reporting plans differ little among the great bulk of trade associations. An examination of the programs themselves, however, indicates differences in the extent to which associations have defined and interpreted their objectives, differences in emphasis and approach and in the character and adequacy of the measures used to bring about desired results. One, moreover, encounters a number of general and specific purposes and occasional and incidental uses of trade statistics that defy simple characterization. The following groupings, though by no means mutually exclusive so far as many individual associations are concerned, provide a basis for further consideration of trade statistical programs:

1. Programs designed to supply information on past industry trends for general use.
2. Programs designed to guide the price and production policies of the members—
 - a. By indicating the individual member's position with respect to that of the industry.
 - b. By reflecting current trends of the industry as a whole.
3. Programs designed to further a particular inquiry and other specific uses of trade statistics.

Programs designed to supply information on past industry trends for general use

A few trade associations evidently collect statistics primarily as a means of developing and preserving records of industry operations for future reference and comparison, with little expectation that the data will serve to guide the current price or production policies of members. An association may, for example, collect from its members monthly or quarterly figures on production, sales, or other data similar to the annual figures published in the Biennial Census of Manufactures. These figures may be compiled and released regularly to the members but with a considerable time lag; they may be compiled only occasionally and released in an annual bulletin or at the annual meeting; or they may receive no regular dissemination. These records are available to the association and its members for such uses as may arise, including public relational problems, wage and hour negotiations, tariff and freight rate presentations, and other Government

and private contacts. The data may serve to reveal seasonal and long-time trends and permit comparisons of industry activity with general business conditions and with the activity of industries producing substitute or related products. They may form the basis for long-range planning by the individual member. Individual company data are not emphasized in statistical programs of this type, and classification of the data is apt to be limited.

The comprehensive industry statistics collected by the National Association of Wool Manufacturers during the earlier years of its existence may be cited as an example of this type of statistical program. Publications containing industry statistics began in 1864 and have been maintained to the present time. The data were utilized extensively in urging industry tariff protection and for analyzing long-time trends in wool production and consumption, manufacturing capacity, and the intensity of foreign competition. The published statistics included relevant statistical series collected by the Bureau of the Census and other public and private agencies, as well as original data collected by the association. In later years, and more particularly since 1933, the association statistics have been revised to emphasize monthly releases of data reflecting current trends and to include the compilation of particularized data for product groups.¹⁸

Programs designed to guide the price and production policies of the members

The primary reason for the collection and dissemination of current trade statistics by most trade associations engaged in this activity is to furnish the members a factual basis for current decisions regarding prices and production. As it actually works out, the program may have no effect on the members' policies, it may have the effect of sharpening the competitive struggle for the market, or it may serve to temper and minimize competition between the members of an industry.

There can be little doubt that the trade statistics issued by some associations are indifferently received by many or all the members. This may be due to the fact that the statistics are poorly designed in the light of the industry's particular needs, or that they lack accuracy, coverage, representativeness, timeliness, or other essential qualities. It may be attributable to the fact that the association executive has been unable or unwilling to instruct the members in the possible uses of the data, or to the fact that he has interpreted the data with statistical techniques so difficult as to discourage or prevent understanding. It may mean simply that the members' needs are better served by information from other sources. Whatever the reason for their indifferent reception, it is unlikely that in these circumstances the collection and dissemination of the data will continue for long to command the time and income of the association.

The immediate result of a program of trade statistics that is not accompanied or preceded by efforts to promote a harmony of interests between the members may be to emphasize the underlying competitive trends and conflicts in an industry. By revealing the amount of business enjoyed by his competitors, trade statistics may have the result

¹⁸ The statistical activity of the National Cannery Association is another example of a general program intended in part "to show what the industry has done in the past under certain conditions."

of compelling or challenging a member to try to enlarge his own share of the market, thereby setting in motion defensive or retaliatory actions by the other sellers in the market; by revealing a declining demand or mounting inventories, they may hasten or precipitate the collapse of a market. Trade statistics illuminate the extent of the market and the moves of the various rivals in the market, and competition may very well become more acute because it is more informed. Such a tendency may be of temporary duration or be limited to markets in certain areas. Certainly if prolonged and widespread, it will jeopardize the statistical program and the integrity of the association itself.

From the standpoint of the trade association a statistical program that serves successfully to guide the price and production policies of the members rests on a general acceptance in the industry, whether conscious or otherwise, of the principle that mutual restraint in the market is needed if chaotic and destructive competition is to be minimized or avoided.¹⁹ But it is equally true that mutual restraint will not long be adhered to as a principle of business conduct if there is ignorance about what is happening in or to the market. The difficulty that associations face in maintaining a restrained and informed competition, of course, varies among industries and within any given industry from time to time. And associations differ in the nature of their approach and the emphasis they place on this dual objective of information and restraint. In issuing trade statistics, they may stop short of any advice or assistance that would help the individual members interpret the data; or, through comment on the release, discussion, verbal interpretation, or statistical signposts, they may indicate the meaning of the data in terms of the nature, direction, or magnitude of the adjustments that might be made by members. They may use the data as a basis for recommending a course of industry action and, occasionally, may employ the data for developing or policing an agreement for industry action concerning prices or production.

The uses of trade statistics by trade associations in guiding the price and production policies of the members may be conveniently considered under two broad functions: (1) To indicate the individual member's position with respect to that of the industry; and (2) to reflect the current trends of the industry as a whole.

Statistics indicating the individual member's position with respect to that of the industry.—One of the most common features of statistical reporting plans is the explicit comparison of individual company performance with the performance of the group or industry as a whole. The release embodying such comparison usually provides an entry for "your company" figures, paralleling each entry for the group. Ordinarily the "your company" entries are simple percentages, showing the company's share of total production, total shipments, total orders, or other measures of business, and are confidential to the member concerned. The releases of a few associations show the statistics of each of the participating companies, which are identified by name or by code number or letter.

It is clear that trade associations have considerable confidence in the idea that a company that knows it is obtaining its normal share of

¹⁹ In this connection see the discussion in ch. III, above, pp. 45-63.

the available business in any industry or market within an industry will not employ the same aggressive competitive measures as one that has no such assurance. Statistics that currently indicate the individual member's position in the market afford this knowledge and represent one of the principal devices by means of which businessmen through cooperative action seek to implement the principle of mutual restraint in the market and to curtail competition that is destructive to market stability. Through relative-position statistics the individual company is not only kept informed of its relationship to the industry but is made to realize the consequences of production or price policies that might alter this relationship. In the words of a prominent trade association administrator:

* * * the business leader of today achieves success by managing his individual volume in relation to his industry's volume, so as to maximize his revenue and not his physical output. To maximize revenue the individual businessman must formulate his policies in light of their effect on the industry of which he is a part as well as in consideration of the facts of his individual enterprise. Today the corporations which comprise the * * * industry share a market which is smaller than their collective capacity to produce, and, in contrast with the past, the policies established by the individuals of the industry are automatically forced upon the group. In the vast majority of instances today, if the rate of growth of an individual producer's volume exceeds the rate of growth of his industry's volume, that growth does not represent a corresponding expansion of the industry's total market; it represents business acquired from a competitor. Every businessman within my hearing knows the inevitable result of a continued loss of volume from one competitor to another. It is for these reasons that businessmen must manage volume so as to share the market, not monopolize it, and, thus, to safeguard the conditions which maximize revenue.

This new attitude toward volume marks the contrast between the new and old points of view of management. Fortunately, the new point of view has spread with great rapidity in recent years, and it is interesting to note that the men who held it are, as a rule, the leaders of their industries. * * * The significant fact is that where modern business leadership is found one also finds an understanding of the modern relationship between the individual producer and his industry.

Any company, of course, could always derive its own position if the industry totals were made available, but it would have no assurance that other members would bother to make such calculations or would consider their implications. With the figures on individual company positions prepared in the association office, each member knows that his competitors are also being reminded of their relative positions and presumably will be influenced by the same considerations of restraint that influence him—whether these considerations are those of independent judgment, a recognized custom of normal volume relationships, repeated admonitions and educational efforts of the trade association executive or industry leaders, or a formal agreement backed by financial penalties or other sanctions to share the market on some predetermined basis.

Individual company percentages usually are held confidential to the company concerned and not made available to competitors, but the comparisons are available to the association executive in most instances. As has previously been pointed out, a few associations show on the release the percentage figures for each company identified by name. Other associations identify companies only by letters or other code. This procedure allows each member to know how closely each of his various competitors is adhering to his customary share of the business, but, since it does not identify companies that are exceeding their

normal positions, it presumably does not expose them to efforts by other members to make them comply with the program. Obviously, however, no member enjoys an immunity from efforts to encourage adherence to the association program as long as his data are available to the association's staff. And in industries with very few members, or in industries in which current statistics are released in the form of detailed product, geographic, or customer break-downs, it is probable that in some instances the market position of individual companies can readily be deduced by competitors from the group totals.

It would be desirable, on the basis of the statistical device, to differentiate plans that involve an agreement of members to limit competition, or to maintain certain fixed relationships, from those plans that merely sponsor a group philosophy of mutual restraint and depend upon the voluntary action of individual members to effect such a policy;²⁰ and, further, to differentiate both of these types of plans from those programs that compare individual company data with group data but are accompanied by little or no effort on the part of the association to encourage the recognition of normal volume relationships or the principle of voluntary restraint in competition. Unfortunately, there are no obvious earmarks by which such distinctions can be made. The types of statistical data collected and disseminated and the statistical techniques used to analyze and interpret the data may be the same in formal as in informal plans and in statistical services that cannot be dignified as plans. The differences are primarily those of emphasis and of methods used to encourage or enforce the maintenance of desired relationships. Greater results may be achieved by the independent but informed action of individual members in a small, compact industry than by agreement to observe fixed volume relationships in an industry composed of a large or heterogeneous group of enterprises. Even in the formal plans, individual volume percentages may fluctuate considerably from one month to another so long as the average volume relationship for the year or other period conforms to the recognized percentages.

Table 60 shows the extent to which the 882 statistical series analyzed incorporated individual company comparisons. Of the 882 series, 275, or approximately 31 percent, compared individual company data with the industry total or other aggregate data. In only 23 of the 117 production series was this type of comparative analysis used, but it was used in 148 of the 390 shipments and sales series and in 71 of the 211 orders series. In the majority of cases (222 out of 275), the individual company comparisons were confidential to the member concerned. In 53 cases the position of each company was indicated on the release. In 45 of these latter cases companies were identified by name; in the remaining 8 instances companies were listed by code numbers or letters or without apparent means of identification.

Table 61, which shows, by industry groups, the number of associations issuing one or more series showing individual company comparisons, indicates, better than do the above data, the extent to which this statistical device is employed. According to this table, 120, or

²⁰ In a recent case against the *National Container Association* the Department of Justice alleged that trade statistics had been used as the basis for a formal agreement to share the market. The statistical activities of this association are described in some detail at a later point in this chapter, pp. 238 ff.

approximately 45 percent, of the 264 associations included in the sample issue one or more series containing individual company comparisons. Of these 120 associations, 23, or approximately 9 percent of the 264 associations, regularly issue one or more releases that show the statistics of each company on the release. In 19 of these the companies are listed by name; in the other cases, by code number or without apparent means of identification. Among the industry groups in which individual company comparisons are stressed are finished lumber products; paper and allied products; stone, clay, glass, and kindred products; metal products; and machinery and transportation equipment.

Associations stressing individual company performance may also include on each member's release a confidential comparison of its own current performance with its performance in past periods. This comparison may be in absolute terms or it may reflect changes in the relative position of the individual company to the rest of the industry. Thus, a company that had increased its sales in absolute terms over a given period might conceivably have lost ground in relation to competitors. Table 60 indicates that in the case of 19 of the 882 series individual members were furnished with information on their own company trends. Nine series included the comparison for each company only on its own copy of the statistical release; 5 series, involving 2 associations, listed and identified individual companies on the general release; and 5 others, also involving 2 associations, listed the companies in code.

Occasionally, indexes designed to reveal the relative, but not the absolute, position of a company with respect to the industry or group as a whole are encountered. Such indexes indicate that a company is holding its relative position in the industry, is forging ahead, or is falling behind, as compared with its position at some previous period. The index system used by the paper tag industry illustrates this type of comparison.

Under this plan each company is furnished with a periodic index of its relative position for each of five classes of tags in each market area in which it sells. Preparation of such an index involves the following preliminary steps:

(1) The totaling of all industry sales of a given class of tags in a given market area during some base period, as, for example, sales of Class 1 tags in the State of Massachusetts from July 1, 1936, through March 31, 1937.

(2) The totaling of the individual company's sales for the same class of tags in the same area during the same base period.

(3) Division of the total derived in step (2) by the total derived in step (1). The resulting percentage is established as an index of 100 for the company concerned.

The percentage figure itself is not disclosed to the company, because it would permit calculation of the actual dollar volume of Class 1 tags in Massachusetts during the base period. It is simply used as an individual company base to which subsequent indexes are related. Preparation of the current index involves the following additional steps:

(4) The totaling of all industry sales of the same class of tags in the same market area for the current reporting period, for example, the first quarter of 1938.

(5) The totaling of the individual company's sales for the same class of tags, the same area, and the same period.

(6) Division of the total derived in step (5) by the total derived in step (4).

This percentage is also held confidential by the compiling agency. The final step yields the index figure that is released to the reporting company:

(7) Division of the percentage determined in step (6) by the percentage determined in step (3) and its expression in terms of a relative.

Similar indexes are prepared for each class of tags for each market area, unless the total volume of sales is too small to yield significant indexes. In explaining the significance of the composite indexes to members, it is pointed out that:

Where you find an index *greater* than 100, you will know, of course, that for the first quarter of 1938 you have *gained position* on the industry. Where your index is *less* than 100, you obviously have *lost position* against the industry.

Please bear in mind that indexes are *not* percentages. Also bear in mind that from quarter to quarter, you may expect to find *reasonable* fluctuations above and below 100. It will be some time before we know just *how much* the fluctuation should be. We can only determine that by studying a long series of reports of this type.

The last paragraph of this explanation suggests that a function of the index is to encourage the recognition of normal volume relationships. The use of a composite index instead of simple percentage relationships makes it possible to conceal the sales volume of dominant concerns in an industry, whose position might be indicated by any statement of percentage shares in total business in some areas.

Comparisons of individual company with industry performance may intensify competition if there is not a general acceptance by the members of an industry of the desirability of restraint in the market.²¹ The figures may serve the function of telling each member how he scored in the competitive struggle of the past month, thus spurring him on to greater efforts in the ensuing month. This possible function, which trade association executives sometimes advance as the reason for such comparative analysis, is scarcely to be regarded as an objective of the association program. Rather, it represents a failure of the program to impress upon members the message of interdependence that the figures are supposed to convey. If the individual company comparisons actually led to more aggressive competition the statistics probably would after a time be abandoned, just as one association voted to discontinue its Research and Sales Bulletin, because "certain members were of the opinion that research and sales data created undue competition." Similarly, under the N. R. A. some industries found it necessary to abandon open price filing because certain members regarded the filed prices of competitors as targets to undershoot, and competitive price cutting was enhanced rather than deterred.

Probably few associations expect to achieve strict maintenance of fixed volume relationships among their members. What they do expect is to discourage competitive tactics that result in frequent tem-

²¹ That such restraint is not always present is testified to by this excerpt from one trade association's annual report:

"But it would be idle to deceive ourselves. There are members of this industry who are willing to share available business just as equitably as the lion shares his kill with the gentle house cat. It is my opinion that the trials and preachings of the past few years have gone some distance toward educating the over-greedy units—but the lion is not yet ready to lie down with the lamb, and the little child who was to lead them disappeared in the person of General Johnson and his N. R. A."

The statistical work of the Envelope Manufacturers Association is described below (pp. 249 ff.) as a generally unsuccessful attempt to utilize a statistical reporting plan as a means of market stabilization.

porary shifts in volume from one company to another at the cost of a depressed price level for the industry as a whole. One exponent of the use of relative-position statistics to promote industry stability contends that:

This type of stability does not eliminate the chance for the growth of the concern, nor does it restrict the entrance of new competition. Properly understood and operated, this form of stability works upon the rate of change and tends to moderate its fluctuations. It recognizes that it is the sudden and violent alterations of relative position that contribute largely to disastrous price wars and marketing abuses. The more gradual shifts, even if persistently in the same direction, seldom bring about violent defensive tactics.²²

An association desiring to implement formal or informal sharing of the market or an attitude of mutual restraint in the market obviously does not need to show—in fact, may wish to avoid showing—individual company comparisons in the case of each of the various series it compiles. Likewise, an association approaching the problem of market stabilization by emphasizing the relation of the individual company to the group experience may make significant progress by compiling only one type of trade statistics. Thus, an analysis of the 159 product groups, shown in table 54, for which only one type of series is compiled indicates that in 74 instances, or 46 percent of the total, individual company comparisons were contained in the releases.

A single measure of business activity, however, has certain inadequacies. It may serve to prevent warfare between the members for the available business of an industry without providing guidance for adjustments to the changing supply and demand relationships affecting the industry as a whole. Whether, for example, members should, in view of existing production and inventories, raise prices in response to an increase in the demand for the industry's product is a question on which relative-position statistics throw little or no light. From the standpoint of the aggregate market situation, an adequate statistical program is one that affords some measure of both supply and demand movements. Such data provide a basis for individual, concerted, or "bellwether" price adjustments to changing market circumstances. It may be noted in this connection that the cost accounting and cost statistical activities of trade associations, discussed in chapter VI below, may serve the purpose of guiding adjustments to changing circumstances affecting the industry's cost of production.

While individual-company-position comparisons are primarily adapted to showing each company whether or not it is maintaining its accustomed share of the market, they may also be used to measure individual company performance against group performance in other realms. Used in connection with such statistical series as stocks, cancellations, and returns they may serve to inform members of abnormal situations with respect to their own company operations. If the association has recommended or adopted some common policy, the individual comparisons may serve to check on conformance to such policy. Thus, one association was encountered that sponsors a co-operative movement to limit stocks of raw materials to a fixed percentage of current production in the industry and uses individual

²²Albert E. Sawyer, "Accounting and Distribution Techniques as Voluntary Devices to Eliminate Abuses in Marketing," *The Accounting Review*, vol. XIV, No. 2 (June 1939), p. 113.

company comparisons to show each member how closely he is conforming to that percentage. Associations may use the same device to check member cooperation with a program for restricting returns or cancelations. Extensions of the individual comparison into the fields of prices and costs will be discussed at later points in this report.

Statistics showing current trends of the industry as a whole.—In addition to relating the individual member's position to that of the industry, trade statistics may serve to show trends in the business of the members as a whole. Any series that answers the first purpose also answers the second, and insofar as it concerns the significance of trend data the following discussion applies with equal relevance to those associations that emphasize individual-position statistics and comparisons. There are some associations, however, that cannot or do not attempt to stress the relationship of individual company to group performance. Figures showing individual company positions are not apt to be significant in industries in which there are many units, each of which accounts for a very small portion of any market, or in which the association's coverage of the industry is relatively incomplete. In these industries informational guides to the price and production policies of the members are likely to be limited to statistics that reflect the current trends of the industry as a whole. Such statistics may represent only a single measure of business activity or they may comprise several series, which afford some measure of supply and demand relationships. An indication of the significance of the various types of trade statistics as measures of business activity, as well as an indication of the number of associations that compile them, alone and in combination, has already been presented in this chapter.²³

To indicate current trends most releases relate the current with the immediately preceding week or month and with the corresponding reporting period for the preceding year. A number of associations also show cumulative totals for the "Current Year to Date," or "Previous Year to Date." These cumulative figures lend perspective to the current data and guard against misinterpretation of erratic short-time fluctuations that do not properly reflect current trends. If the statistical series is relatively simple, the current release may show the figures for each reporting period in the current year in comparison with the corresponding periods of the previous year.

Some trade associations have found that for the purpose of correctly depicting current industry trends a single statistical series may have little significance—in fact, may do more harm than good. Production figures without sales figures, or sales figures without production figures, may give only half the current market picture. The industry member left to guess about the other half may jump to entirely wrong conclusions, with unfortunate results to himself and to the rest of the industry as well. Mounting sales figures might suggest to some members an increasing demand calling for increased production, whereas a parallel production series would have revealed that production had been mounting even more rapidly than sales and that industry stocks were already at a dangerous level.

The participants in an industry reporting plan can readily learn to follow comparisons that are especially significant in their industry and to watch for certain relationships that call for adjustments in

prices or in production schedules. If members have been taught that an accumulation of stocks in their industry will weaken the market structure and invite price cutting as a means of moving surplus stocks, they will realize that any market excess of production over shipments during consecutive months constitutes a danger signal, warning them to curtail production or face a decline in prices. If orders are increasing and stocks declining, production should presumably be speeded up, or prices advanced to take advantage of the favorable demand situation. Such signposts as the ones mentioned are sufficiently general in their application to have gained recognition among businessmen in many industries. Thus, the Chamber of Commerce of the United States, in its 1937 handbook, *Use of Trade Association Statistics in Manufacturing* (pp. 8-9), includes such comments as the following:

In general, it is felt that when orders are increasing much faster or are much higher than shipments, a demand exceeding current supply is indicated, and if there is no great increase in the rate of production and shipments are being made from accumulated stocks, a rise in prices is automatically forecast if this condition persists. Conversely, when the "Shipments" figure is consistently larger than the "Orders" figure, it is taken to indicate that the industry is operating to satisfy "old" demand, that is, orders already booked. Unless "Orders" move upward, "Shipments" will decline when "booked" demand is satisfied. Thus, a good "Shipments" condition in the industry is likely to be misleading if not compared with "Orders."

Trade association "Orders" and "Production" likewise form a useful combination. In industries which produce for stock in anticipation of sales, it will be found that in any very short period there is little correlation between these two figures, one or the other being considerably in excess; on the other hand, over a longer period, say a year, these two factors are, generally, almost equal. * * * If throughout the industry, the [inventories] are being built up abnormally during the "off" season, production will subsequently have to be seriously curtailed in order to avoid over-production, an industry-wide recession, and consequent reduction of prices not warranted by reduction of costs.

The barometer indexes used by various lumber associations and referred to at a later point in this chapter²⁴ illustrate the more elaborate graphic and statistical techniques that have been used to measure and dramatize the relationships between series.

The statistical signposts relevant to the independent behavior of individual companies may or may not achieve the unanimity in response to a given situation that an association desires. Thus, industry members confronted with statistical evidence that current sales are exceeding current production may react in diametrically opposite ways—some to expand production, others to increase prices. The course of action chosen by a member would depend to some extent on his own costs, but it might be even more dependent on what he thinks his competitors will do. Unguided by a common association leadership, and in the absence of any assurance that his competitors will independently raise prices or at least follow his lead in the matter, the only practicable response for one company may be to expand production at the prevailing price. Given the opposite situation, with production materially exceeding sales, he can either curtail his production or lower his prices. But a decision to curtail production may be wise only if other industry members can be counted on to adopt the same method of adjustment to market conditions and refrain from cutting prices.

²⁴ Pp. 227 ff.

As has been suggested, the trade association may undertake to influence its members toward a common interpretation and uniform response to a given statistical relationship, so that individual adjustments to the market situation will not conflict and will be in harmony with the association program. Thus, one trade association executive in describing the way he presented current trade statistics to his members, pointed to a chart, covering the entire wall of the conference room, which showed shipments and prices over a period of some 15 years. Current figures were entered on this chart and called to the attention of members at association meetings held about once every month. The executive stated that the association:

made no effort to coerce the members, leaving them at all times free to exercise their own judgment. We simply say, pointing to the chart, "There it is, boys. There is the picture of the market. Now go ahead and do as you see fit, but remember what happens when you try to force the market." We don't believe we have eliminated all price wars, but we do believe that the use of these statistics has contributed some stability to the industry and has at least limited the instances when struggles for increased shares of the market have led to price wars in an industry in which the competitive congestion is so great that if one member takes a deep breath a price war is precipitated.

Another executive, after reviewing statistics that indicated a slump in the demand for the industry's products, made the following observations in a report to the members of his association:

With this statistical résumé available to us, it is obviously desirable for each of us to determine how these trends affect us individually and as an industry. We can assume that * * * sales will not show much improvement during the next several months. The ideal situation, therefore, would be for each producer to recognize the reduced unprofitable state of the market and to accept only his share of the business. This desirable situation would result in an appreciable profit without price change when volume resumption began in the summer.

Perhaps this maintenance of status quo is too much to expect. Everyone will have reason to believe that competitors are pursuing unfair tactics and will be sure that others are getting a larger portion of the business than they are entitled to. To some degree these beliefs will be correct. There probably never has been a time when competitive practices were 100-percent perfect. A business recession such as the present merely gives emphasis to the existing condition and results in attempts at retaliation and for the preservation of markets on the part of those who have seen fit to ignore the same conditions in more favorable times.

The price level is maintained by those producers who have most to gain by its maintenance. In any declining market the question repeatedly arises, "Can I profit more by a policy of maintaining prices and losing volume, or by increasing volume to sell at lower prices?" If it were possible to create more business for industry at lower prices it would be well to reduce prices and attempt to create volume. This practice, followed in the automobile industry, does not apply, however, to the building industry. A price cut by one producer, if effective, merely results in taking business from some other producer, who in turn may be tempted to take retaliatory measures.

In the past there has been no concerted action with regard to price—which of course would be illegal. This is evidenced by the several different price levels which have existed for competing products. The state of the market has governed prices, and will continue to do so. Thus, it is inevitable that if producers believe they are losing industry position they will be forced to meet these conditions by methods of their own.

These statements are elementary economics, and would almost seem superfluous. However, in meeting actual market conditions we are apt to be governed more by what we believe to be the competitive situation than by principles of economics. I believe that up to this time cases of unfairness have been rather infrequent. As a matter of fact, our members are to be complimented on the manner in which they have chosen to overlook certain irritations. However, the most critical period lies immediately before us. A low volume output may be expected for the next few months. During that time members would be well advised to consider their competitive position, and to remember that others have

equal rights to the protection of their own business. A long view of the situation may suggest that it is better to wait for the summer than to try to create a false Spring.

The possible use of a trade statistical program to rally support for production rather than price adjustments, of course, is not limited to industries facing serious maladjustments between demand and capacity. Any association attempting to maintain prices at a level higher than they would otherwise be may likewise use its statistical service to disclose an excess of current production over current sales that might threaten a break in the price level if not recognized and corrected by downward adjustments in production schedules. Or, conversely, it might reveal an influx of orders beyond the visible supply, which would be interpreted by the industry's leaders as an opportunity to boost prices rather than a signal to expand production.

A few associations compare current figures with some norm or average period of business activity in the industry. Such comparisons are frequently criticized as suggesting a standard of performance to which members should conform and as subject to abuse as a means for carrying out a plan of concerted action in restraint of trade. Quite apart from such a question is the observation made by one trade association official, who points out that:

if the base or normal period is based on wishful thinking rather than reasonable performance records it is at best useless and at most dangerous as a guide to individual activity.

Other trade associations have attempted to use data for previous reporting periods as the basis for projecting the trend of business activity in succeeding periods. Trade association forecasting, however, has declined in favor, and prophecies appear to play a relatively small role in association statistical services today. Occasionally, statistical releases or news letters will convey general observations on the market outlook, or discussions of the current statistics at regular association meetings may close with some qualified remarks on prospective trends, such as the following:

In forecasting the volume for the first half of 1938 * * * [the Secretary] felt that the first 6 months will come within 10 percent to 15 percent of the corresponding 6 months of 1937.

Somewhat less usual is the practice of pooling individual forecasts, which may be included as part of the statistical reports or used as a substitute for them. One association, for example, holds about six meetings a year, at which the regular order of business includes a round-table questionnaire, with nine questions to be responded to by each manufacturer. One question is, "What are the prospects for the next 3 months?" Another is, "What are the indications as to increased or decreased prices of raw materials?" Another association regularly collects from its members qualitative appraisals of business activity, which suggest the prevailing sentiment about market conditions.

Fairly elaborate forecasting systems are used by a few industries. The Kraft Paper Association, now under indictment for alleged anti-trust violations, sent out each week to its members an estimate of the market demand for the industry product for the following week. The estimates, according to the allegations of the Department of Justice, were intended to inform each company how to regulate its pro-

duction in line with the industry program for equitable sharing of available business. In this industry the basis of allocation was "potential" production. The "potential" measure was related to capacity but referred to probable operating capacity, which was based on past operating experience and could be changed at intervals to reflect new capacity coming into the industry or changes in the proportion of old machine capacity actively engaged in production. Each member of the association was assigned its appropriate share in the industry "potential," which became its company "potential." These "potentials" were expressed in tons, not percentage shares of the industry total, but they served the purpose of relating each company's production to that of the industry as a whole and to each of its competitors. The weekly forecasts issued by the association consisted of one percentage figure, signifying that the estimated market demand for the industry product during the succeeding week represented that percent of the established industry potential. This presumably meant that each company adhering to the plan for equitable sharing of business was expected to limit his own production to that percentage of his regular company potential. The next weekly statistical report compared his actual production performance for the week with his calculated "potential" and revealed his conformance to the ratio of production recommended in the weekly forecast. This association also released a monthly statistical series on the anticipated tonnage of raw material required for the next month's production.²⁵

Another system of forecasting is particularly adapted to industries faced with distinct seasonal variations in the demand for their products. The forecasts are derived from past trends through the use of statistical techniques. The plan involves the determination of the normal seasonal variation of business activity during past years and the application of average percentages of change from one period to another as a means for projecting the current sales trend into the immediate future. The Drop Forging Association, for example, placed in the hands of its members information on seasonal trends and instructions for doing their own estimating. A news letter was sent them, entitled "How Much Business Will the Industry Do Next Month?" The contents of that news letter are partially quoted to indicate this association's use of seasonal indexes:

If we know that the volume is going down we are not so apt to get the jitters. If we know it's going up we are not so apt to get overconfident.

All forecasts are guesses. The guesses are made up of many parts put together to give the final answer. The major part of the final guess is the normal seasonal or monthly swing up and down during the year, and this part is susceptible to analysis and fairly close prediction, as it recurs year after year.

Although the more years available for analysis, the more accurate will be the results, and although the drop-forging industry has only records of sales by months for 3½ years, which is quite meager for such a determination, nevertheless, we have, from that data, determined the Index Numbers of Seasonal Variation, because some knowledge along this line should be valuable to the industry. As time goes on this work can be revised to greater accuracy.

²⁵ The statistical forms of some other associations managed by the same firm include space for a monthly industry forecast, and other columns headed "Industry actual," "Your forecast," "Your actual," and "Your % to industry."

The Index Numbers of Seasonal Variation are :

January-----	116	May-----	112	September-----	76
February-----	117	June-----	95	October-----	81
March-----	130	July-----	81	November-----	88
April-----	128	August-----	73	December-----	103

What do these numbers mean and how are they used?

These numbers show the relative amount of business (dollar volume) which may be expected during the different months of the year. March will normally have the largest volume, with April very close, and August will normally be the dulllest month.

The sum of these numbers is 1,200 which corresponds to a year's business.

Seasonal index numbers may also be expressed as a percentage of a whole year's business. When expressed that way the above index numbers are :

	<i>Percent</i>		<i>Percent</i>		<i>Percent</i>
Jan-----	9.6	May-----	9.2	Sept-----	6.3
Feb-----	9.7	June-----	7.8	Oct-----	6.8
Mar-----	10.8	July-----	7.0	Nov-----	7.4
Apr-----	10.7	August-----	6.1	Dec-----	8.6

In this list the numbers are all relatively the same to each other as in the other list, but this list adds to 100 percent which is a total year's business.

Assuming a \$60,000,000 year, then January should have 9.6 % of it, or \$5,760,000. It is more valuable to figure the problem the other way by taking the sales for January, and then because January normally has 9.6 % of a year's business, find out what yearly rate is in force *at that time*. We can figure the yearly rate from month to month and tell whether the general level of forging volume is going up or down. * * *

Some of us may have thought that August was a poor month because the actual sales were so much less than those of any of the first 5 months of the year. That is not true. Based on the first 5 months of this year August should have had only about \$5,000,000 worth of sales. It actually was (with seasonal variation eliminated) the best month of this year. This sort of thing needs to be brought to our attention once in a while. It isn't necessarily the largest dollar volume month that indicates the best general condition. * * *

Every summer some members of the Industry seem to forget that the summer months are dull anyway and because the dollar volume is down (as it should be, because to be down is normal) they think business is going to the dogs and get jittery, and do things that harm themselves as well as the rest of the Industry.

Many associations find it desirable to compare the trends of their own industry's operations with general business developments or with the trends of related industries. The Stevenson, Jordan & Harrison organization, for example, issues a general bulletin to the members of the various associations it serves. This bulletin, entitled, "Monthly Digest of Business Conditions and Probabilities," compares the production and market indexes of the industry concerned with some 30 other monthly indexes. Individual associations seldom undertake such comprehensive periodic comparisons but may follow certain indexes with great care. For example, the Corrugated Metal Pipe Association of New England analyzes specifications in contracts let by the New England highway departments to discover the relative volume of business specifying competing products, such as vitrified clay pipe, concrete, and cast-iron pipe. Comparisons of industry data with available statistical series for supplying and customer industries also are used to supplement and lend perspective to the facts disclosed by the industry's own statistical series. These comparisons are, in some cases, based on an exchange of information between associations on a reciprocal basis. In other cases, they are based on series generally available through Government or trade publications.

Programs designed to further a particular inquiry and other specific uses of trade statistics

Only indirectly, if at all, related to those described above are a number of specific uses of current trade statistics. These uses in the case of some associations may constitute the only reason for the collection of the statistics; but probably more often they represent occasional uses or uses that are incidental or secondary to the achievement of ends described in preceding sections. The following uses, cited by various trade association executives, merely suggest the variety of specific ends to which current trade statistics may be directed:

Afforded a measure by which the success of a collective sales-promotion program was appraised.

Led to the discovery of inferior quality in a product, which accounted for a drop in sales.

Led to a change from some items in an industry's line of products to more profitable ones.

Afforded a measure by which the individual management checked on the sales force and determined whether it was giving alibis or facts.

Used in determining what the bonuses of salesmen should be.

Used in setting salesmen's quotas.

In a declining industry, discouraged new investment by outsiders; also discouraged added investment by those already in the industry.

Indicated the geographic areas and customer groups offering the best opportunities for making sales.

Disclosed the pattern of seasonal variations in the industry and thus aided the industry in spreading production and employment more evenly throughout the year.

Apprised manufacturers of changes in style demands and led to a shifting of production schedules to parallel consumer's needs.

Statistics of a supplying industry enabled purchasing agents to make commitments for and purchases of raw materials at the most opportune time.

Statistics of a customer industry were used as a basis for establishing sizes of installment payments.

Regional statistics of the pack of canned fruits and vegetables are used to answer inquiries of buyers concerning the area in which particular products may be obtained. At the same time producers who have a supply of the product on hand are advised of the inquiry and given the name of the prospective buyer.

PRICE INFORMATION

The price informational activities of trade associations fall roughly into two classes—the exchange of price lists or price offers and the compilation of data on prices received in closed transactions. The term, “price filing,” is commonly applied to activities in the first group but is often applied, also, to an arrangement for the organized collection and dissemination of information on prices at which completed sales have been made.

It was expected in the present survey that associations engaged in either form of price reporting would check the item, “open price filing,” included in the schedule. The returns indicated, however, that associations had not interpreted the term uniformly. Some associations maintaining price-list exchanges did not regard themselves as engaged in price filing; other associations compiling price data on closed transactions likewise failed to note price filing among their activities. The confusion in usage probably is due in no small part to

the emphasis placed on N. R. A. price filing plans, which were predominantly concerned with the reporting of current or future prices that could not be changed or deviated from without prior notice. In any event, the number of associations that originally reported "open price filing" obviously was not a reliable measure of the prevalence of this activity. In a recanvass of the statistical activities of trade associations made to separate price from trade statistics, all reported price informational activities were reviewed. Based on the material submitted, this review indicated that 187 of the 1,244²⁶ reporting national and regional trade associations provided some type of price or bid information to members, as follows:

Total number without duplication-----	187
Number reporting the collection or exchange of price lists or price offers----	64
Number reporting the collection and dissemination of information on prices received in closed transactions-----	105
Number reporting "open price filing," type not ascertained-----	20
Number reporting bid informational activity-----	24

Included among the 105 associations that compile information on price received in closed transactions are 54 associations that release data on average prices derived from aggregate figures on the volume and dollar value of sales or shipments. Price statistics of this type are inextricably linked to trade statistical programs and usually are subordinate to them. The exchange of price lists or of information on price changes may be carried on in the absence of, or in complete detachment from, trade statistics, but it more often accompanies a trade statistical program. The records disclose that of the 187 associations reporting some type of price or bid informational activity there were only 27 that did not also report trade statistical activity.

Like trade statistics price and bid informational activity is encountered relatively much more often among small than among large associations,²⁷ size being measured in terms of number of members; it is likewise found to vary in frequency in different industry groups. Price and bid informational activity was reported by a third or more of the associations in the paper, finished lumber, and electrical products groups, whereas, according to the returns, it was nonexistent, or practically so, among national and regional associations in the fields of mining and quarrying, apparel manufacturing, construction, wholesaling, retailing, finance, and personal and business service.²⁸

The comparatively small proportion of the 1,244 associations reporting that they provided members with price and bid information—15 percent as compared with the 44 percent reporting that they compiled trade statistics—suggests that legally permissible forms of price reporting are generally regarded as less desirable or less effective means of stabilizing market conditions than are trade statistics. The decline in price filing activity since the invalidation of N. R. A. codes supports this view. A total of 444 codes, nearly two-thirds of the total number, contained price filing provisions. Typically these provisions called for the mandatory filing of prices, discounts, terms, and conditions of sale with the code authority, or some other central agency, and adherence to such prices until changes were filed and made effective in accordance with the code requirements. The invali-

²⁶ Exclusive of those in the field of insurance.

²⁷ See tables 29 and 46B and text, pp. 33, 64, above.

²⁸ See tables 32A, 32, 46A, and text (pp. 29, 64, above).

dation of the N. R. A. in May, 1935, left cooperative price reporting activities with the same legal status they had prior to 1933. In order to avoid suspicion and the possibility that restrictive attributes might be inferred from the operation of their price filing plans, many associations, both prior to and after the N. R. A., found it expedient to confine themselves to the voluntary exchange of printed price lists or to the voluntary reporting of data on past transactions. These forms of price filing are generally less effective, both as publicity and control devices, than the mandatory, future price filing plans sanctioned under the N. R. A. Under the circumstances it was to be expected that the popularity of price filing would diminish, particularly among those industries that had not experienced marked success with price filing as an aid to market stabilization and had found it a difficult and expensive undertaking because of a large number of sellers, a wide diversity of products, very frequent price changes, or other complicating factors.

The decrease in the number of price filing plans since the N. R. A. is striking, but it probably fails to tell the entire story of diminishing emphasis on price reporting. Various trade associations have commented on the gradual disintegration of the activity or its continuance in a desultory fashion. The Paraffined Carton Association, for example, after explaining that the industry represented by the association had been classified as part of the folding paper box industry under the N. R. A. and that filing of prices had begun under the compulsory open price provisions in that code, pointed out that:

When the N. R. A. ceased to exist such price filings continued to be made more or less by habit in accordance with the code, but any activity of the Association in policing variations from filed prices ceased with the * * * N. R. A. In each succeeding year the filing of open prices became less and less, so that if and when the manufacturers issue price lists at the present time they may or may not supply the Association with copies. There is no obligation to do this and no regularity about the proceeding. Thus, at the present time, we have to say that as the term "Open Price Filing" is generally used, the activity in the Association under that head has ceased to exist. Thus, we have no forms and no routine.

Regulatory actions of the Federal Trade Commission and the Department of Justice since the close of the N. R. A. have undoubtedly been a deterrent to price filing activity in many industries. As noted in chapter III. above, 32 of the 85 actions brought between June 1, 1935, and October 1, 1939, cited price filing or price statistics among the devices used to make price agreements effective or to facilitate price uniformity or direct restrictions on prices or pricing practices. In 23 of these cases the filing of current or future prices was alleged, but the use of a waiting period was clearly indicated in only a few instances. In four cases reference was made to the collection and dissemination of information on past prices, while in five cases it was not clear whether the price informational activities complained of pertained to past or current prices.

Various industries that had had a favorable experience with current or future price filing under their N. R. A. codes were anxious to maintain the activity on a voluntary basis and sought to obtain the approval of the Federal Trade Commission, under the trade practice conference procedure, for some such form of cooperative price reporting. Despite persistent efforts on the part of a few industries,

the Federal Trade Commission has not yet given its approval to any plan for current or future price reporting. It has not gone beyond its previous practice of permitting the inclusion in group II rules of a statement to the effect that the industry favors the practice of each member's independently publishing and circulating its price lists. The uncertainty of the law with respect to current or future price reporting probably explains this hesitancy in sanctioning any plan even on a voluntary basis. It had been hoped that the *Sugar Institute case*, decided by the Supreme Court in 1936, would give a definite answer to the question of the legal status of current and future price filing, but in the opinion of various commentators it did more to confuse than to clarify the issue. One writer probably reflected the general opinion of trade association counsel when he said that the practical effect of the decision will be to eliminate "to a substantial degree a difference which was theretofore insisted upon by the courts" and afford a "precedent for a substantial breach of the once clear rule that the report of past transactions was permissible and future transactions were forbidden."²⁹

Considerations affecting the legal status of price filing plans have been examined in previous studies, as have various economic and administrative aspects of price filing activity.³⁰ The present discussion is primarily designed to indicate the extent and character of price reporting activities at the present time.

Previous studies of open price filing have noted, among others, the following expressed or implied objectives of price reporting plans:

To prevent misrepresentation of price offers by buyers and resulting suspicion among sellers.

To eliminate secret concessions in price and discriminatory treatment of buyers in the same class.

To lessen the intensity of erratic or rapid fluctuations in prices.

To narrow the range of competitive prices by eliminating quotations below cost or below a profitable level.

To lessen discrimination and pressure for discrimination in favor of large buyers.

To encourage the observance of established trade practice rules and to check the conformance of individual members to them.

To police formal or informal agreements regarding prices.

To facilitate the process of price leadership.

Industry statements of the objectives of price filing are seldom couched in comprehensive terms, but the comments offered by trade association executives in connection with the present survey, like those made by proponents of open price filing provisions in N. R. A. codes, ordinarily stress one or more of the objectives listed. In their remarks, the prevention of misrepresentation is likely to become "exposure of the lying buyer"; and the lessening of erratic fluctuations in prices and the narrowing of the range of competitive prices, "stabilization of prices," "prevention of destructive competition," "elimination of price wars," or "discouraging of sales below cost."

²⁹ Benjamin S. Kirsh and Harold Roland Shapiro, *Trade Associations in Law and Business*, Central Book Co., New York (1938), p. 65.

³⁰ See, for example, Kirsh, *op. cit.*; U. S. Treasury Department, *A Statement of the Substantive Law of Restraint of Trade, Monopoly, and Unfair Competition*, U. S. Government Printing Office, Washington (1939); Federal Trade Commission, *Open-Price Trade Associations*, U. S. Government Printing Office, Washington (1929); National Recovery Administration, *Division of Review, Price Filing Under N. R. A. Codes*, Work Materials No. 76, Washington (1936); Leverett S. Lyon and Victor Abramson, *The Economics of Open Price Systems*, The Brookings Institution, Washington (1936); C. A. Pearce, *NRA Trade Practice Programs*, Columbia University Press (1939).

The N. R. A. experience demonstrated that price filing's functions in promoting "price stability," or in preventing "destructive price competition," are of two types. One, which may be termed the "control" function, is to assist in the systematic policing of agreements or understandings concerning prices or elements of price; or to provide a point of reference for informal persuasive or coercive efforts by the filing agency or industry leadership to prevent individual enterprises from reducing prices or to encourage them to raise prices. The other function, which may be termed the "publicity" function, is to prevent price concealment—whether this concealment takes the form of deliberate, indirect price concessions or variation of prices among customers, whether it results from misinformation given by buyers concerning the price offers of rival sellers, or whether it results from the mere lack of facilities for adequate publicity.³¹ Price concealment makes possible the differential price advantage needed by the price cutter and creates uncertainty and suspicion among competitors, who may reduce prices simply as a precautionary measure. Any plan of price publicity has the capacity of reducing price concealment, though this capacity varies directly with the degree to which the plan provides for currency of price information and is greatest when there is a waiting period between the time the price is announced and the time it can be made effective. To be most effective in this connection the plan, moreover, must provide for the participation of all sellers and must extend to all the elements of price policies. It will be apparent from the subsequent account that the price informational activities of a number of trade associations at the present time are so incomplete or haphazard that it is unlikely they could in themselves significantly contribute to the elimination of "destructive price competition" or the promotion of "price stability."

As noted earlier, a major division of price informational activities has been made on the basis of whether the price data pertain to price offers or to past transactions. Bid filing, which involves both types of data, has been treated separately.³² Price informational activities involving price lists or price offers have been classified for descriptive purposes into five subgroups, according to the types of information collected and disseminated and the role played by the association: (1) Direct exchange of price lists among members; (2) central filing of price lists, with no dissemination; (3) exchange of price lists through the association; (4) filing and dissemination of price lists and notices of price changes; and (5) filing and dissemination of price lists, notices of price changes, and deviations from filed prices. Data based on prices received in closed transactions have been grouped under the following headings: (1) Price averages and related measures; and (2) prices received in individual closed transactions. Modifications of the above types and occasional special types of price information have been discussed in connection with the type they most closely resemble.³³

³¹ As in the case of trade statistics, the first result of price publicity, however, in some industries may be to intensify price competition (see above, pp. 180-181).

³² Below, pp. 214-227.

³³ The discussion omits series on prices paid or quoted for raw materials, which are compiled by several associations.

Price lists or offers.

Direct exchange of price lists among members.—Strictly speaking, an arrangement by which members of an industry exchange price lists directly, without filing them in the association office, is not price filing and was not considered in arriving at the total of 187 associations reported above as engaged in price informational activities. A number of associations, as a matter of principle, encourage the independent publication and circularization of price lists by individual members of the industry through trade practice conference rule, or by recommending the practice in the association constitution, bylaws, or code of ethics.

Central filing of price lists, with no dissemination.—The practice of filing price lists and/or announcements of price changes with the association but with no subsequent dissemination of the data to members was reported by several associations. This arrangement is perhaps even less an open price plan than the direct exchange of price information by individual members, but it may be far more significant as a trade association activity. If the association also collects price data on past transactions, it facilitates the checking of those data for departures from published prices. Examination of the individual price lists also may reveal observance or nonobservance of customer classification and other trade practices approved by the association. In most of the instances noted, however, the filing of price lists was reported as being entirely optional and not a regularized activity of the association. The Wet Ground Mica Association, Inc., for example, reported that members of the industry had a trade practice conference rule calling for the independent publication of price lists and that copies were sent to the association's office for general public information. The Safe Manufacturers National Association stated that it had no regular price reporting service, explaining its price filing activity as follows:

Some time ago we advised each of our members that it was our belief that if he had his current price schedules on file in an impartial place, where the public would have access to them, he would be in a better position to defend himself against complaints under the Robinson-Patman Act than he would be otherwise. We offered to act as such a public depository for any member who wanted to make use of it. At that time every member took advantage of the offer. We have no way of knowing whether any of them have kept it up or not because we have no follow-up of any kind in connection with it.

Exchange of price lists through the association.—The type of price filing most frequently reported is the exchange of published price lists through the medium of the association office. The completeness and regularity of the service differ from one association to another, as does the responsibility assumed by the central office in collecting and disseminating the lists.

In some instances dissemination is made only on specific request. One management concern, directing the price informational activities of five small associations, explains that it endeavors—

to have on hand a supply of all published prices in each industry, whether of members of the association or not—

and that—

* * * any one manufacturer or anyone else interested can write in here and receive a copy of such published price lists. * * * These price lists are dis-

seminated very freely among all interested parties by manufacturers direct as well as through this office.

In some instances the original distribution is to contributing members only, but copies are available to other industry members or to other interested parties upon request to the association. The general emphasis on the public availability of the filed data is explained, in part, by the desire to guard against any implication of secrecy—a feature of price filing plans that has been condemned in several court decisions. The information in published price lists usually is not regarded as confidential. The price-exchange service facilitates access to the data, but, if it is confined to published lists, it rarely discloses information that is not already available through other channels to anyone sufficiently interested to seek it out. Members are free to deviate from the printed lists without notice, so that differential treatment of customer classes, which is one major reason for secrecy about price quotations, is not necessarily disclosed by the printed list. Characteristically, price lists are forwarded to the association office only after or at the time they are issued to the trade by the individual members.

The following examples will indicate the variety of price-list exchanges. The Tissue Association reports that it acts as “a mailing depot” in the distribution of price lists for any member that requests this service. Multiple copies of the price list must be provided by the members for this purpose. The Agricultural Insecticide and Fungicide Association reports an exchange service by which multiple copies are filed and distributed to members. The data are also available to nonmembers and to any interested party on request. A few associations maintain a mailing service by which individual members can distribute their price lists to certain designated competitors. Such selective distribution is particularly suited to industries in which the products are varied and not standardized. The National Machine Tool Builders’ Association disseminates price lists in this manner but does not keep copies on file in the association office. Members of the Association of Manufacturers of Wood Working Machinery send in price lists with names of competitors “entitled to that particular price information.” The Association of American Soap and Glycerine Producers, Inc., maintains a price-list exchange for one class of industry products only—bulk industrial soap sold to laundries, institutions, textile mills, and similar industrial outlets. The Institute of Cooking and Heating Appliance Manufacturers also maintains a price-list exchange for manufacturers in one section of the industry. When new catalogs are published each season, members file 25 copies of the catalog and 25 price sheets showing retail list prices. These are exchanged among contributing companies; and the exchange is open to any interested member of the industry. The association does not tabulate the prices, it was reported, because of the lack of product standardization. The Institute of Boiler and Radiator Manufacturers makes available to members and nonmembers alike facilities for distribution of the individual printed price lists that are issued to the trade. This organized exchange of price lists through the association offices has taken the place of the previous practice by which individual members mailed their price lists directly to other members. Because the mailing lists of individual members often were incomplete, it was decided to make the institute a clearing house for their distribution.

Filing and dissemination of price lists and notices of price changes.—The type of price filing plan described in the preceding section does not provide for the systematic reporting of price changes, being confined to the routine dissemination of price lists when these are published by the individual companies. A more adequate type of open price plan calls for the prompt filing and dissemination of all changes in prices, discounts, and terms and conditions of sale, in addition to the initial exchange of price lists.

The procedure for disseminating changes in some cases is quite as informal as that used in the plans already described, but some associations have a regularized procedure for assembling and disseminating relatively complete information on price changes soon after they are put into effect by member companies. A very informal procedure for distributing notices of price changes is reported by the Machine Knife Association, which emphasizes the fact that it does not collect information on price changes but simply receives it and distributes it to members, keeping no record in the association office. The Buff and Polishing Wheel Manufacturers Association likewise disclaims any organized system for assembling data on price changes:

* * * there is no practice, habit, or routine in respect thereto.

All that has ever happened is that at irregular and widely separated times some member of the industry volunteers in a letter that last week or the week before he began charging certain prices for certain types of merchandise.

When these infrequent items of information are received, we send out a letter to the members of the Association stating substantially that last week John Jones informed us he has been selling type so and so for such and such a price.

Members of the Southern Plow Manufacturers Association file price lists and price changes with the association, which are relayed to members in general news letters. No regular forms are used in reporting or disseminating the data. The announcement may be made simply by sending the association a copy of the letter sent to customers announcing new prices and terms.

Most associations are insistent that filing and dissemination of price changes shall not anticipate the announcement of changes to the trade and in some cases require that changes be reported only after they have become effective. The open price plan of the Linoleum and Felt Base Manufacturers Association, for example, authorizes the general manager to receive and distribute information on price lists and price changes but provides—

that he shall in no case receive or distribute any price lists or selling terms of a manufacturer which have not been previously published to the trade concerned by the manufacturer.

It also provides that all information on file shall be open for inspection to all members of the industry and of the trade and shall be available for inspection to the public. When the price-exchange plan was adopted, it was voted that the arrangement should not go into effect until the written consent of all members was received. Such consents have never been recorded, but the service nevertheless is carried on for those who voluntarily file their price announcements. The Pacific Coast Asphalt Shingle and Roofing Institute maintains a similar exchange service for its members. Participation in the exchange is voluntary, and copies of price notices are sent to the office at the same time they are broadcast to wholesalers, retailers, and others in the

trade. Copies of the lists are kept on file in the association office and are available for inspection by nonmembers, but, according to the president of the association, this privilege is infrequently exercised. He also states that participating members often neglect to file new or revised lists when changes are made. No penalty attaches to this failure to file nor to any failure to adhere in whole or in part to the prices on file. The right of each member to change prices, terms, and conditions of sale without notifying the association office is freely exercised. No tabulation of the data is made, since each member furnished sufficient copies of his announcements for redistribution to other members.

In contrast to this last service and to most of those previously considered, which merely report, or relay duplicate copies of, price announcements as they are issued by individual members, is a group of plans that provide standard forms for the reporting of price information or in some manner consolidate the filed information before disseminating it to members.

Several branches of the paper industry that collect and disseminate information on basic selling prices supply each manufacturer with a standard reporting form to facilitate filing and to encourage the use of standard differentials, terms and conditions of sale that have been accepted by the association. Acceptance of the recommended terms is not mandatory, but companies not adopting them are required to set forth in detail their individual terms and conditions of sale. The standard reporting form of one of these associations, for example, calls only for the filing of base prices applying to one geographic, or "base," zone. Rather than frame his own statement of selling terms, the member may incorporate by reference the "specifications, trade practices, terms and conditions of sale, differentials, discounts, extra charges, etc.," formulated and recommended by the association. The complicated price structure for paper products makes this by far the simplest way of announcing prices, and a background of education and cooperative effort has made it an effective means for attaining substantial uniformity in pricing practices. The classification and grading of paper products have facilitated the establishment of standard selling terms and comparability between the base prices quoted by various member companies. In order that the comparability of filed prices can be checked upon in the association office, members are asked to submit samples of each grade of paper upon which they quote prices.

Another well organized price reporting system is that of the Steel Founders' Society of America. Under a revision of a plan that has been in operation for a number of years, members of the industry who are producers of miscellaneous steel castings are invited to file a list of their prices with the office of the society. As received, copies of these lists are circularized throughout the industry. For the purpose of ready reference, on or about the first of each calendar quarter these lists are consolidated into a comprehensive report, copies of which are furnished to members of the industry. All other interested persons may purchase a copy of the booklet at the price of \$5. A sample copy of the consolidated price report, submitted by the association, carries the following notations on the cover page:

**COMPREHENSIVE REPORT OF PRICE LISTS OF MISCELLANEOUS CASTINGS ANNOUNCED
BY MEMBERS OF THE INDUSTRY HEREIN NAMED FOR THE FOURTH QUARTER 1938,
BEGINNING OCTOBER 1, 1938**

(Any price herein is subject to change at any time without notice)

Steel Founders' Society of America has used its best efforts to make this booklet a complete and accurate report of all prices filed with the Society, but assumes no further responsibility for the contents. See Introduction for statement as to how this booklet should be used.

This booklet covers price lists filed prior to September 5, 1938.

The plan is operated in accordance with the "Statement of Principles of Fair Trade Practice for Miscellaneous Castings Branch of Steel Castings Industry (amended as of February 10, 1937)," reading, in part, as follows:

Each member of the Industry, while exercising his individual judgment as to the prices that he charges and reserving his right to change the same at will, may, in his discretion, issue or publish a price list for his products. The Industry approves an open price report plan for its members operating in accordance with the following general procedure:

(a) Members of the Industry may file with the Steel Founders' Society of America in advance of the beginning of each quarter their price lists for such quarter.

(b) Members of the Industry may file with the Society at any time during a quarter announcements of changes in their previously filed prices. Such changes may be effective at once or at such future date as the announcement may specify.

(c) In the absence of express notice to the contrary, all prices filed with the Society will be deemed to expire on the last day of the quarter for which they are filed. Prices may, of course, be reaffirmed in whole or in part for the succeeding quarter. * * *

(e) The filing of a price list imposes no obligation on the member filing to adhere to such price lists without deviation, or to report to the Society every deviation from such filed prices; provided, however, that no member shall discriminate unlawfully in price between different purchasers of steel castings of like grade and quality.

The foregoing rules are subject to the following interpretation, adopted by the Board of Directors of the Society on June 24, 1937:

Resolved, That it is the sense of this Board, interpreting the Statement of Principles of Fair Trade Practice, that no prices should be accepted for filing or should be made public by the Society unless when filed they are accompanied by a written statement from the member filing to the effect that announcements of such prices have been distributed among such member's interested customers or are being so distributed simultaneously with such filing.

An "Alphabetical Index of Steel Casting Classifications" is given in the consolidated report, and opposite each classification there is recorded, by key letter and number, "the price schedule which has been filed by more foundries than have filed any other schedule." All key references to other price schedules that have been filed for the same product classification are shown in parentheses on the same line, or in footnotes, with identification of the foundries quoting differently from the majority and the schedule quoted by each. This method of price filing is made possible by the formalized price structure of the industry, developed before and during the N. R. A. period. A number of basic price schedules with weight and quantity differentials have been worked out, and members announce their prices on the different items simply by designating which of the standard base schedules shall apply. This pricing method permits variation among companies in the base price quoted on any given item but preserves

certain standardized relationships for different weights and quantities of each type of casting. Schedules of extras have been standardized in a similar manner. Standard terms and conditions of sale recommended by the Steel Founders' Society are set forth in the consolidated price report and are considered to apply to filed price lists unless other terms are specifically indicated by the company filing. Examination of the consolidated report of price lists for the fourth quarter of 1938 reveals that few companies filed schedules varying from the majority filing; and that the unanimity with respect to extras and terms and conditions of sale was even greater than with respect to list prices.

It is worthy of note that while deviations are entirely permissible under the steel castings plan, there is a reasonable assurance among competitors that prices will remain substantially unchanged during the quarter and that price adjustments will be concentrated at or near the beginning of a new quarter. Another feature worthy of note is the proviso in the "Statement of Principles of Fair Trade Practice" concerning the freedom of members to deviate from filed prices. This states that members may deviate, "provided, however, that no member shall discriminate unlawfully in price between different purchasers of steel castings of like grade and quality." The allusion presumably is to the Robinson-Patman Act.

In this connection, warning references to Federal law were noted in several industries. Thus, the price-change bulletins released by one management concern always close with this statement:

These are being sent to you without comment and without recommendation, simply as current information concerning the sale prices of the products of the industry so that you may be enabled to conform to the laws of the United States.

A letter from the same agency requested members to advise the secretary of the names of distributors in the Philippine Islands and their current prices in effect there. The data, it was explained, would be consolidated and passed along to members "simply as current trade information which you should have before you, especially in view of the fact that the Robinson-Patman Act covers the Philippine Islands."

Filing of price lists, notices of price changes, and deviations from filed prices.—Potentially more adequate in their provisions for price publicity than the price-list exchanges already described are those plans, reported by a few associations, that require members to report promptly all individual transactions that are completed at prices other than those currently on file. Under such plans the failure to report off-list transactions signifies that the member is adhering strictly to the price and conditions of sale previously announced by him and disseminated to the members.

This type of price reporting is exemplified by the plan of the American Bleached Shellac Manufacturers Association, Inc. Under this plan members are not obligated to adhere to filed prices, but it is contemplated that other members will be immediately informed of any departure from them. The procedures are described by the executive secretary of the Association as follows:

Each member of the Association promptly sends to the Association a copy of, or memorandum of, its price list upon such member's adoption thereof. This may be done informally but usually the data is inserted in a printed form or

forms entitled "Notice of Publication of Prices, etc." [These forms include space for entering the effective data of the new prices, to the time of day. Presumably the filing of the notice can either precede or follow the change in price.] Each member adopts and changes his own prices from time to time as he sees fit. At no time does the Association presume to tell any member what his prices or terms, etc., should be. No member is obligated to adhere to its last filed Notice of Publication of Prices, but is free to deviate therefrom whenever it deems it proper to do so. In the instance of each such deviation, the member who has made a sale or contract to sell on a deviation basis reports the transaction to the Association, sometimes informally, although Notice of Deviation forms * * * are furnished to the members for use in such circumstances. [This form calls for the date of the transaction, the name and address of the customer, a statement of whether the deviation related to a contract or spot sale, and the nature of the deviation.]

Promptly upon the receipt by the Association from any member of a new price list or Notice of Publication of Prices, etc., a copy thereof is sent to every other member.

The Association does not send out to the members a copy of each Notice of Deviation received by it from a particular member or members but periodically (usually about once a week) the Association sends to all members, a résumé of such information as may be non-confidential with respect to deviations reported during the prior week. This is done upon a form entitled "Report of Deviations from Published Prices, etc." * * * [This form is similar to that used for reporting deviations except that the customer's name is omitted.] Under the heading "Nature of Deviation" there is set forth in each instance the product involved, the quantity, the nature of the deviation, such as a sale or shipment at prices or terms varying from those last previously published by the member in question or varying from the terms of a formal contract between the buyer and seller, and the extent of the deviation. The identities of the buyers are not disclosed.

Each member of the Association informally reports to it the transactions entered into by it, whether they be new contracts to sell, deliveries on contract, or spot sales. [There is no explanation of how such reports are given—whether orally in meetings, through correspondence, or filing of duplicate contracts.]

In addition, a summary release is made monthly showing the number of pounds of shellac undelivered on contracts outstanding at various price quotations.

The Eastern Package Association maintained until recently a price-reporting plan calling for full publicity of all price lists, price revisions, and deviations from filed terms.³⁴ The reporting plan, drawn up in the form of a voluntary agreement, began with the announcement that each party to the agreement should have entire freedom in determining its own prices. Article V of the agreement reads as follows:

Each of us agrees to publish to the trade and file with the Secretary of the Eastern Package Association for the information of the members of the industry and all other interested parties a schedule or catalog from time to time showing list prices with complete terms and conditions of sale on the products covered by this agreement, and we agree likewise to publish and file all changes or revisions of or deviations from these schedules or catalogs. Each of us expressly reserves the right to change his prices at any time he sees fit.

Each member of the association agrees to furnish the secretary a list of the individuals, firms, and corporations to which it grants any discount or allowance other than the discounts and allowances announced in its price list as being available to all purchasers, the list to show the amount of the discounts granted to each of the individuals, firms, or corporations named therein. Each member of the association further agrees to keep its list current by informing the secretary in writing of any additions thereto or removals therefrom.

³⁴ The activities of the Eastern Package Association, including the price filing arrangements, were the subject of a recent complaint by the Federal Trade Commission (docket 3556, August 25, 1938). The managing director reports that the original association has been liquidated and that various members of the industry are now in process of forming a new association.

Information on prices received in closed transactions.

Price statistics based on records of completed transactions are heterogeneous in character, differing widely in the completeness and accuracy with which they reflect price trends and comparative price relationships. Some associations confine their price information service to the periodic calculation of an average value figure for the industry product, obtained by dividing total dollar sales by total unit sales over a period of time. Other associations assemble and transmit to their members detailed information on the price, terms, and conditions of sale in each individual transaction as soon after its completion as possible. Between these extremes are those associations that collect and disseminate, with varying frequency and detail, information on price spreads and other measures of price variation. No attempt has been made in the following sections to note all the various types, or combinations of types, of price information encountered in the present survey, but the types described are believed to characterize those in use.

Price averages and related measures.—Averages derived from aggregate sales or shipments data represent the type of price information most frequently encountered; as noted previously, 54 of the 105 associations reporting the distribution of information on prices received in closed transactions fall in this class. The significance of average value figures derived from aggregate sales data, of course, depends on the degree of homogeneity of the industry product. If the product is uniform, or can be broken down into uniform grades or sizes, the unit values obtained by dividing the total dollar value by the total number of units sold may be an accurate measure of the average price of the product. If the products of the industry are nonstandardized or have diverse unit values, the average value figures may reveal price trends over a period of time but they will not reveal changes in the prices at which specific products are being sold. Some associations are careful to point out this limitation of their average value figures and refer to them as price indexes or sales realization figures rather than as average prices.

Average value figures covering assorted types of industry products are apt to be inappropriate, also, for comparisons of individual company figures with group figures and may well be inappropriate even for time comparisons for the industry as a whole. Changes in the calculated average value may occur without any change whatever in actual prices, simply because of variations in the proportions of different types or grades of product sold. This disadvantage can be minimized by a break-down of the aggregate sales data and the calculation of separate averages for the various classes of products. Various industries have devised other means to interpret the significance of their average value figures. Thus, the Association of Gas Appliance and Equipment Manufacturers compiles, from aggregate sales data, information on the average sale of boilers, furnaces, and burners in terms of both dollar value and capacity in b. t. u.'s.

Some associations compare the average value of the sales reported by individual sellers with the average value of the industry's sales. This comparison ordinarily is made confidentially to each member, but in some instances it is an over-all comparison in the general release, with individual sellers identified either by name or by code

letter or number. The Cold Finished Steel Bar Institute, for example, issues a report on the average selling price for the industry, computed from aggregate tons and total invoiced value. It also gives the individual company its own percentage of total tonnage and its own percentage of total invoiced value, thereby indicating whether the average sales realization of the company is above or below that of the group as a whole. The Lead Pencil Association, Inc., compiles the average value of lead pencils per gross sold for the industry as a whole and for the individual member.

These comparisons are made for the current month and for the year to date. The monthly trade statistics report of the Dry Ground Mica Association carries the computed average price per short ton of three types of mica, for the industry and for the individual company. The average price for the individual company is shown also as a percentage of the industry average price for the group.

Some associations compile average price data from reports of actual prices of member companies. These data may represent substantially the same type of information as can be derived from aggregate sales data for a single uniform product. The forms used in collecting such information, however, appear more often to specify a uniform basis upon which prices are to be reported, so that the weighted averages derived from such reported figures are likely to afford a better basis for time comparisons and for comparison of individual price levels with industry price levels than do averages computed from sales aggregates.³⁵

An example of such a price series is that compiled by the American Zinc Institute for prime western slab zinc. The cooperating producers make individual sales reports on various grades of zinc each week. These record the quantity and the price for each sale made for delivery in each of several subsequent months. The consolidated sales report sent to contributing members retains the detail on quantity and price of individual transactions reported but does not identify the sellers. This report is not widely released, but based on it is a general release sent out each month containing a weighted average selling price, East St. Louis basis, of tons delivered during the preceding month and for subsequent delivery. The National Oak Flooring Manufacturers Association collects weekly from each member information on the average price received for each size and grade of flooring, after unearned discounts are deducted. Prices are reported per thousand foot basis, f. o. b. Memphis, Johnson City, or Alexandria. From these reports the association compiles two types of average price data on each size and grade of flooring—a weighted average based on the total sales reported for that size and grade and a weighted average of the five highest prices reported. The Maple Flooring Manufacturers Association releases monthly information on the range of average prices realized for various grades of flooring and, also, a weighted average price for each grade. Another weighted

³⁵ Only one association was encountered that compiled a simple price average from data submitted by members. This association—Southeastern Box and Shook Manufacturers Association—however, also shows on its monthly release an average for each item that is weighted by amount of shipments in footage. These averages are of delivered prices on shipments made into each of a number of zones—zones which, according to the secretary, were used during the N. R. A. In addition to the simple and weighted average prices for all members reporting, the individual member's corresponding average prices are released on a confidential basis. The individual member is also given a rating indicating his rank in terms of volume of shipments in each zone.

average is computed for the industry product as a whole. This is really an index of the industry price level and is obtained by weighting the average prices for the three grades of product—50 percent for first grade, 35 percent for second grade, and 15 percent for third grade.

Information on the range of prices received by different industry members or on different transactions completed during the reporting period is compiled by a few associations to supplement data on average prices. Members of the Institute of Leather Cloth and Lacquered Fabrics Manufacturers, for example, file sales data, including prices received, according to a very detailed product classification. The association consolidates the price information for distribution to members in a weekly release, which shows for each type of product the highest price reported, the lowest price reported, and the weighted average price based on total yardage and value reported. Separate prices are recorded for sales involving quantities "under mill run" and those involving a "mill run or over." The number of companies reporting sales of each type of product is noted on the release, as is the number of companies reporting the highest and the lowest price quoted. The product break-down is so detailed that the price release is virtually a listing of individual transactions. In the release covering the week ending September 4, 1939, the high, low, and average prices were identical for most items. The American Leather Belting Association compiles for its members an average price by class of product covering the entire volume of sales for the month and both a high and a low average price covering the 20 percent of sales at the top and at the bottom of the market in terms of unit-sales realization. The number of firms whose sales compose the high and the low averages is also given. Individual manufacturers are further informed of their ranking in relation to other members with respect to sales-realization levels.

Various associations, in lieu of or in addition to compiling a weighted average price for products sold during a given period, provide their members with the basic information underlying such an average, that is, figures showing the quantities disposed of at different prices or within given price ranges. A distribution of sales according to prices received ordinarily is preferable to average price data or price-range information, in that it gives a more detailed picture of prevailing prices with less emphasis on extremely high or low prices, which may represent negligible quantities and have little relation to the general competitive level of prices. The significance from a price publicity standpoint of a classification of sales according to price groups, however, varies considerably from one industry to another. In industries with established wholesale and retail price classes, such as in certain types of women's apparel, price classes represent little more than a product break-down. Although the distribution of volume information by price classes in such industries would be useful in revealing the character of market demand, it would have little significance in reflecting price changes.

The Automobile Manufacturers Association breaks down its figures on passenger-car sales into various wholesale price classes. These data probably are more significant as trade statistics than as price data, inasmuch as members of the association have ready access to information on the prices of competitive models through ordinary news

channels. More important from a price publicity standpoint are the data compiled by the National Automobile Dealers Association on retail prices received for used cars.³⁶

Information on the aggregate quantities sold at different prices has much more significance in industries such as the American Bleached Shellac Manufacturers Association, Inc., and the American Zinc Institute, Inc., that sell on contract for future delivery. As has been previously noted, the former association issues a monthly release showing the number of pounds of shellac undelivered on contracts outstanding at various price quotations; and the American Zinc Institute each week for the common grade of zinc metal reports the number of tons booked for future delivery at various specified prices. A distribution of sales volume according to the different prices at which transactions have been closed may also, of course, provide a significant view of past price trends. The American Washer and Ironer Manufacturers Association, for example, reports the volume of sales falling in consecutive, narrow price intervals, with the average price per unit within each class. These figures are issued monthly in a release which also shows the corresponding data for the year to date.

Prices received in individual closed transactions.—The most comprehensive price informational services are those disseminating data on individual transactions. Such a service was reported by approximately 20 different associations covered in the present survey.³⁷ The reports are frequently made up from duplicate copies of invoices but may be transcribed from summary reports on individual transactions made daily or weekly by each member. It should be noted that this group of associations includes only those actually disseminating data on individual transactions. There are other associations that collect copies of invoices, or equally detailed reports on sales, but either do not distribute the information to members or distribute it only in the form of composite totals.

³⁶ The N. A. D. A. Official Used Car Guide shows by trading areas the average prices at which the various makes and models of used cars are being sold after reconditioning, as reported by members of the Association. It is issued primarily as a guide to motor vehicle dealers in determining "a fair allowance figure for any used car." Under the caption "How to Determine the Allowance," the Guide states:

- "To arrive at a fair allowance figure for any used car, proceed as follows:
- "1. Identify used car.
 - "2. Determine 'retail' price.
 - "3. Deduct cost of reconditioning plus average overhead and selling expense from this 'retail' price.
 - "4. Balance is all that should be allowed for average used car.
- "Example:
- | | |
|------------------------------------|-------|
| 'Retail price'----- | \$495 |
| Reconditioning cost----- | 20 |
| Overhead, 15 percent of \$495----- | 74 |
| | 94 |
| Allowance----- | 401" |

A somewhat similar service is provided by the National Federation of Implement Dealers' Associations and its federated regional groups. Annually a United Tractor and Combine Trade-In Manual is issued by the national association, which sets forth for practically all makes of tractors, threshers, and combines, "the figure at which experienced dealers in that make of machine have found, on the average, it can be resold as it stands when it is taken in." According to the "Foreword" of the 1939 edition, the main purpose of the book is "to make available to all dealers the combined experience of a large number of their fellow dealers as to the fair trade-in value of practically all makes * * * that are likely to be offered in trade toward the purchase of new machines."

The compilation of such used-machine values constitutes practically the only type of price informational activity reported by national and regional associations in the retail trades.

³⁷ Not including a special type of invoice analysis employed by the National Container Association and its regional affiliates. See below, pp. 243 ff.

Daily sales reports are used by several lumber associations, including the Southern Hardwood Producers, Inc., the Southwestern Hardwood Manufacturer's Club, and the Northern Hemlock and Hardwood Manufacturers Association. The first association mentioned maintains two types of sales reports. A report issued 4 days each week presents data on individual sales for the several reporting mills which are identified by key numbers. This report goes only to those mills authorizing release of their data in this form. A weekly sales report sets forth in unidentified form the transactions for each grade and species, recording the volume sold at each price reported. In both the daily and the weekly sales reports, information is given on the date of the sale, the district and State of origin, the quantity, the specifications, the freight rate, and both the delivered and the mill price. The Southwestern Hardwood Manufacturer's Club receives a copy of, or a summary of the information on, each order entered by members. These data are transcribed, with individual companies identified by code number, and the summary statement is mailed daily to members of the club. Information on each transaction includes both the delivered and the mill price. The sales bulletin of the Northern Hemlock and Hardwood Manufacturers Association is issued weekly and contains information similar to that in the other lumber reports, with actual prices and the equivalent Wausau base price. In addition to this report, a consolidated sales report issued each week includes figures on the average sales realization per 1,000 feet for each of the principal species of hardwood.

Where products of an industry are distinctly uniform in quality or grading, the dissemination of invoice prices provides a very comprehensive story both of price trends and of existing price competition in the industry. This situation is illustrated by the reporting plan of the National Soybean Processors Association. This organization issues a daily price report on completed sales, which reaches all except the most distantly located members within 2 days after the sales are made. Each day members submit a report on sales completed of sacked soybean oilmeal and crude soybean oil in tank cars. The date of shipment, the type of process, the price per ton, and the destination or base point is reported for each sale of oilmeal. Reports on oil give the period of shipment, the price, f. o. b. mill or base point, and the location of the mill or the base point used. The consolidated report of the association, issued the following day, identifies the individual seller.

In contrast to the uniformity of the products covered by the reporting plan just described is the product represented by the Cold Storage Door Manufacturers Council. This group, unlike some others, identifies its sales reporting procedure as "open price filing." Reports of individual transactions are filed by members as made. These sales are listed by State of destination, and a semimonthly summary report is mailed to each of the reporting members. The summary does not identify either customer or seller, but gives the number of units and the "price" for each shipment. It is not possible to ascertain from the release whether the prices reported are net prices, f. o. b., or delivered prices, or what, if any, terms are applicable to them. The prices reported for individual units vary widely, and no basis is provided on the release for comparing the prices received in the different transactions. However, if a seller had quoted on a job

in a given community, the report of a completed sale in that community would indicate how his offer compared with the successful offer, although since the jobs are not named and no specifications are given he could not always be certain that the quotations were on a similar base.

Reporting services involving distribution of price data on each transaction appear to be more prevalent among associations under the direction of management organizations than among other associations. One management concern, D. S. Hunter and Associates, maintains a daily report service on individual transactions for several of its associations. The daily shipment report form filled out by members of the Butter Tub Manufacturers Council, for example, calls for the following items on each sale: Customer's name; customer's address; date of shipment; type of buyer; quantity (number of tubs); size; "wood;" "hoop;" net unit price; discount or allowance other than cash discount (jobber or similar discounts); destination (State); terms of payment, and delivery terms. These data, with the exception of the names of seller and buyer, are transcribed to an outgoing report and mailed immediately to association members. Each group is composed of a small number of manufacturers, so that ordinarily it is not difficult for members to identify the member making a large shipment. Mr. Donahoe, of the management staff, indicated that the inclusion of the customer's name in the incoming report was to afford a complete record of industry transactions but that the information may aid in revealing whether the customer classification is appropriate and would be helpful to the member in identifying an invoice if it was apparent that an error had been made. He stated, however, that he had had no occasion in the past to check on any invoice and believed that auditing of reports was unnecessary, inasmuch as any false reporting would soon be detected by competitors and would lead to a prompt break-down of the reporting service.

Another organization, Ferry and Dawson, compiles reports on individual transactions for two groups—the Association of Bank Note Companies and the Wire Cloth Manufacturers Association, but the summaries of these transactions are distributed only once a month. The six members of the first group report and receive quantity and aggregate value information on every billing of securities, keyed to show whether the transaction was "Reprint" or "New" business and whether it was on a competitive basis. Manufacturers of wire cloth report on individual shipments of various classes of their product. Information released includes for each transaction the State in which the customer is located, the item number, mesh, size, number of square feet, type of metal, unit price, and terms of payment and delivery.

Described as providing transactional price information on "sales completed," or "prices at which [the products] have been sold," is the reporting plan maintained by Mr. O. L. Moore for various trade associations under his management. Judging by the materials submitted, it appears that the information released to members is better characterized as prices and terms announced to the trade than as prices actually received in closed transactions. This is indicated by the provisions for "Price Statistics (as amended June 23rd, 1936)".

for the sales book division of the Specialty Accounting Supply Manufacturers Association, which states in the first paragraph:

Each member will file with the Secretary, on blanks supplied for the purpose, his prices to both consumers and jobbers, on the several sizes and styles of Sales Books, and for extra details of manufacture, as specified below; provided, however, that only prices that have actually been put into effect by announcement to salesmen and the trade shall be reported, and that such price lists shall not be filed earlier than the day following the date they are made effective.

The daily releases of some of these associations give no quantity figures but describe the individual transactions, giving the name of the member, product specifications, unit price, terms of sale, and the market of the sale. The releases also frequently include statements to the effect that the specified company reported that—

sales were completed [as of the day specified] at sales provisions previously reported.

In the case of one association, at least, a consolidated monthly report is made on the volume of off-list transactions of each member company.³⁸

Some few of the reporting plans involving the dissemination of past sales data in unidentified form permit members to inquire for information on any transaction that they believe has not been reported or has been incorrectly invoiced. This is true, for example, in the reporting plan of the Rotary Cut Lumber Manufacturers Association. Members of this group report weekly on shipments and orders booked during each day of the week and attach to their reports a copy of each invoice rendered during the week covering their shipments. Data from these invoices are reproduced in a consolidated weekly report detailing the description and price, f. o. b. mill, of each shipment reported, as well as the location of the reporting mill. These weekly reports are distributed to members and are later consolidated into a monthly report showing volume and average price, f. o. b. mill, of each thickness and species of wood. The bylaws of this association provide that any member may request the details of any approximately identified transaction, including the name of the seller if such seller has not already duly reported the sale. Such requests are relatively frequent according to the secretary of the association. The reporting plan of the above group is administered by Ortman, McClure, Hadden & Co., management engineers, who also conduct the activities of the National Converters Institute, which is composed of firms that cut and print transparent sheeting, such as cellophane. A complaint against the latter group was filed by the Federal Trade Commission in September 1939, alleging the fixing of prices through the instrumentality of a sales reporting plan.³⁹ The reporting plan of the Institute was described by Mr. McClure as follows:

The members of this Association give us a detailed report of each sale they make. The data from such reports is compiled weekly in a simple consolidated report in which we give the members the total number of orders placed, the total dollar

³⁸ Specialty Accounting Supply Manufacturers Association. In addition to the number of orders and the quantity of various types of products sold at a concession from list prices, the report includes separate figures for each company on the percent reduction from the list price of total sales represented by sales made at concession.

³⁹ Docket 3897. This case was still pending as of March 1, 1940.

value thereof, and also to the individual member the number of orders his company has reported and the total value thereof together with the percentages this data represents to that of the total of all reporting members.

Members evidently do not supply actual copies of invoices, but orders booked are reported daily in detail, with the following information given on each transaction: Quantity, size, stock, number of colors, price per unit, terms, job name, customer, and value of order. The member is also asked to note the industry of the customer, in accordance with a commodity classification printed on the report form. The consolidated report that Mr. McClure mentions as being prepared from the sales reports for dissemination to members contains no price information.

The Federal Trade Commission complaint alleged that the respondent members of the institute had agreed and conspired through the medium of the institute and its manager to fix uniform prices and that they exchanged current price lists through the association, "in order to establish and maintain uniform net prices." Deviations from the said price lists and the prices and discounts agreed upon were also reported to the institute, according to the complaint. With respect to the sales reporting plan, the Commission alleged that the detailed information submitted daily on orders was checked against the current price lists filed by the members and that, upon the request of any member, the institute manager furnished information about instances in which other respondents had sold their products at prices and discounts other than those set forth in their respective price lists, giving the percentage of the filed price over or under the price at which the sale was made, the date of the sale, and the size of the sale.

Combination of price list exchange with reports on closed transactions.

A price information service combining the filing and dissemination of current price offers with periodic reports on prices actually received in completed transactions obviously affords a greater degree of price publicity than does either type of plan by itself. The reporting of deviations from filed prices, noted in one group of price filing plans discussed earlier in this chapter, affords approximately the same degree of price publicity, although it does not permit a review of every transaction by the central agency.

The dual reporting plan of the paper tag industry illustrates the combined use of current price quotations and duplicate invoices of closed transactions, together with the use of liquidated damages to support a voluntary price reporting agreement. Price data are not disseminated in any great detail to members, but the invoices are analyzed as a basis for regularly published statistical reports as well as for individual market reports in response to inquiries.⁴⁰ The plan calls for the filing of all price lists immediately after the effective date and the filing of duplicate copies of invoices on each transaction. According to information supplied orally by Mr. A. E. Sawyer, employed by the Tag Manufacturers Institute, the filed price lists contain the charges for component elements in the total selling price of tags, such as printing charge, material charge, etc. The member is required to file terms and conditions of sale with all price lists. Deviations from

⁴⁰ See above, pp. 184-185.

filed prices are entirely permissible, but off-list prices must be reported within 24 hours after the order is consummated. These off-list prices are published without identification of the customer or the seller, but the release indicates the market area in which the sale was made. All filed prices are open to the inspection of both members and customers, according to Mr. Sawyer. The filing of duplicate copies of every invoice means that as many as 2,000 invoices per day may be handled by the statistical office of the institute. On the basis of these filed invoices a monthly tabulation is prepared and distributed to members, showing for the total group the dollar volume and unit volume of sales and the average price—sales realization—per 1,000 tags. A more detailed break-down of the data by Federal Reserve Board districts is disseminated quarterly. Members desiring a still more detailed picture of the market situation can request an analysis showing his relative position in any one of some 320 market areas.

Enforcement of the statistical reporting requirements is through the "Tag Industry Agreement." For several years various tag manufacturers have entered into annual contracts with the association secretary, acting in a private capacity as the Frank H. Baxter Service. Each manufacturer obligates himself to file his price lists and copies of invoices of all his transactions with Mr. Baxter, subject to specified penalties for neglect or failure to file accurately and completely. The contracts are interlocking; no change can be made in them without the unanimous consent of the signers. Breach of the contract by one member nullifies the contracts for all. The contracts provide that upon any complaint being made against any member for violation of the agreement a certified public accountant shall make the investigation necessary to determine whether the charges are based on fact. A board of arbitration considers the evidence and in case of violation assesses penalty damages as provided in the contract. Mr. Sawyer commented on the significance of the price filing plan in general as follows:

Without question, where all prices are filed it tends toward uniformity in price, but does not result in uniform prices. It is a strong factor in market stabilization. There may on occasion be some price leadership as a by-product, but this is limited by the freedom of the individual to set his own prices and by a widely dispersed market which all manufacturers can penetrate.

At least one other association in the paper products group, the Gummed Industries Association, combines a price list exchange with the regular filing of invoices on individual transactions. A weekly report on the number of inches of sealing tape sold at each of several designated "base" prices for various types and grades and in each of four zones is made up from the invoice data and circulated to members. According to the managing director, this information is freely made available to the trade.

The activities of another association, now involved in an action brought by the Federal Trade Commission, may also be mentioned here, inasmuch as they involve a combination of current and past price reporting. The United States Maltsters Association receives daily sales reports from members and issues a daily summary of these reports, listing the selling company, the date, the quantity, the grade, and the price. The Commission's complaint⁴¹ charged that respond-

⁴¹ Docket 3555, August 24, 1938. This case was still pending as of March 1, 1940.

ent members of this association had agreed to fix and maintain uniform delivered prices. Means used to carry out the alleged agreement were said to include the filing of schedules of "prices, terms, and conditions of all sales at which it will and does sell malt" and an agreement not to deviate from the filed prices. It was charged that the respondent association also collected and disseminated "other information used and useful in carrying out the said agreement, combination, understanding, and conspiracy."

BID INFORMATION

Bid filing is simply a form of price filing adapted to goods sold on the basis of specification. For such products price lists are not feasible, it being necessary for individual sellers to quote separately on each transaction. The original open-price scheme outlined by Arthur J. Eddy in his book *The New Competition* was really a bid filing system for use in various branches of the construction industry. The more familiar price filing procedure used in manufacturing industries was developed later as a modification of the bid filing procedure. Mr. Eddy's plan was designed to dispel all secrecy about competitive bidding and thereby to prevent misrepresentation on the part of buyers and deception on the part of bidders about the prices quoted on proposed transactions. The plan involved the voluntary reporting of all bids as made and the prompt exchange of that information among rival bidders through the medium of a central agency. Neither the objectives nor the procedures of bid filing have changed much from those set forth by Mr. Eddy, with the one important exception of the time at which data are disseminated. Existing bid filing plans ordinarily call for the distribution of bid information on closed transactions only.

Bid filing is common among local groups in the construction industry but is not often undertaken on a Nation-wide basis and hence is less apt to be sponsored by the national and regional trade associations covered in the present survey. Only 24 associations replying to the questionnaire checked bid filing as a major or minor activity. In three of these cases the nature of the activity referred to as bid filing was not ascertained, and in six cases it was plain that the activity in question was not bid filing as ordinarily defined. Of the 24 associations only one was in the contracting industry, the remaining 23 associations representing various fields of manufacturing, particularly machinery and apparatus and other metal products. There were, in addition, several national contractors' associations that indicated that while they did not engage in bid filing they encouraged and assisted their local affiliates in this field of activity.

Of the active bid filing plans noted, several were in industries that had bid filing provisions in their N. R. A. codes. A total of 31 codes included bid filing plans or provided that plans might be established by the code authority. Like price filing, bid filing has apparently declined in popularity since the N. R. A., but the curtailment has been much less severe. Even under the N. R. A., bid filing plans dealt largely with closed transactions, and hence less modification was necessary to prevent conflict with the antitrust laws after the codes were invalidated.

The stated objective of most bid filing plans is the elimination of misrepresentation by buyers, or the elimination of "bid shopping." The latter term usually refers to the attempts of a general contractor to obtain lower quotations from subcontractors, but it serves equally well to describe the attempts of any buyer to obtain better terms by playing one bidder against another. A companion practice is that of "bid peddling," or the effort of an individual bidder to obtain a contract by reducing his original bid. A bid filing arrangement is expected to discourage both types of activity by exposing all of the facts concerning each transaction. Examples of explicit statements of the objectives of particular bid filing plans may be noted. The plan of one association starts off with a formal announcement of purpose:

Whereas buyers to whom quotations on products are submitted by manufacturers in this industry often represent to such manufacturer that quotations at or below certain figures are being submitted by other manufacturers in this industry, and

Whereas it is proper and desirable that there be some procedure whereby manufacturers in this industry, if they so desire, may check up on these representations after the order for the products has been placed, and it has become a past and closed transaction: Now, Therefore, be it

Resolved, That manufacturers in this industry expressing such desires in writing, may participate * * *

A national association of special trade contractors states that it formerly encouraged local groups to establish bid depositories, "to prevent chiseling by general contractors, particularly on Government projects." A manufacturers' association characterizes such a service as tending "to correct misinformation given by salesmen and purchasing agents." In general, the announced objectives of bid filing arrangements are defensive in character—the protection of bidders against unfair practices of buyers. Other plans contemplate more positive gains. Thus, one association made the following comment on its bid filing system:

Such a plan as this leads to a more intelligent operation of the industry and of members' business. It raises the standard of estimating and establishes a mutual confidence that results in fairer competition, fair and reasonable profits and a higher standard of services to the public. It also provides an adequate income for the support of local association operations that will permit of increased effective cooperative work for the further improvement of the industry and of the members' business. The source of such association support, as well as the member's individual profits can only come from the price at which the contractors' services are sold to the public. This plan provides an orderly means for assuring these essentials.

The term, "bid filing," ordinarily is applied to an organized plan for the cooperative collection, tabulation, and subsequent dissemination of data on bids or quotations made by a group of competing sellers. The present survey, however, indicates that some associations interpret the term to mean any statistical activity involving bids. For discussion purposes, all the types of activity reported as bid filing have been grouped under a series of descriptive headings, with examples given under each. It should be noted that those listed under the first three and the last of these headings can scarcely be considered as bid filing services.

Filing of bids for estimating purposes.

In at least one case, an association checked activity in bid filing when the practice in question more nearly resembled an estimating service. The Electrotypers and Stereotypers Association of New York, Inc., has prepared a standard estimating form, made up to include all the necessary information for preparing a bid. Firms wishing to do so may send copies of their estimates to the association's office, which makes a periodic check of all filed estimates for errors in calculations. The secretary of the association states that the majority of association members use the estimating form, but comparatively few members forward their estimates to the association office. Such information as is filed is not generally made available to other members.

Compilation of bid information from public records.

Various cases were noted in which association activity with respect to bids was limited to the dissemination of data abstracted from public records. Thus, the Southwestern Lumbermen's Association subscribes to a private statistical service for abstracts of bids submitted in connection with W. P. A. requisitions. The association receives, from abstractors located in three State capitals, the details on all bids submitted by its members. These abstracts are duplicated in the association office and disseminated to member bidders without comment. The New England Road Builders Association receives from State highway departments information on all highway and bridge contracts awarded, with the separate bids made on each project. This information is presented in full in the association's weekly publication, N. E. R. B. A. An annual summary is later compiled, showing all contracts advertised and awarded during the year, with the successful bidder on each contract and the amount of his bid. References are also given in this annual summary to the issue of N. E. R. B. A. in which the contract was first described and the issue in which full bid information was printed.

Filing of data on successful bids only.

At least one association compiles data on successful bids only. Such a service is virtually the same as any compilation of prices on closed transactions and is in no sense equivalent to a bid filing arrangement, which permits detailed comparison of successful with unsuccessful quotations. The Crayon, Water Color, and Craft Institute receives records of award prices on all transactions with public authorities, such as school boards. In disseminating the data individual transactions are recorded, with information on the date, location, product description, quantity, award price per unit, and brand name. No customer's name is given, but the city in which he is located is identified. Paralleling this activity is a price filing arrangement whereby published price lists containing quotations to the general trade are received and filed. Nonmembers may participate in these services.

Specific inquiry service.

The bid filing service of some associations is limited to the making of special inquiries concerning bids or quotations in particular transactions. In some instances no information is collected unless or until some member asks for a compilation of bids submitted on a given

job; in other instances information is collected regularly on all transactions but is disseminated only when a request is received.

The formality and comprehensiveness of the inquiry services vary. The Leaf Spring Institute, for example, describes its activity as a purely voluntary form of open price filing but gives little indication of how it is organized or how frequently it is used. The secretary states simply that:

Members of the Institute who desire may file their quotation to any given customer or prospective customer. * * * Any member of the Institute who requests a copy of the filed quotation will be furnished one by this office. * * *

The Foundry Supply Manufacturers Association has a service for handling all inquiries on closed transactions. Three report forms are used for this purpose. Form 1, "Special Inquiry," is used by the company wishing information. It states simply that the member desires "information as to prices quoted and name of member securing the order described below" and asks the association "to secure this information by inquiry sent to selected members as checked on the back of this sheet." Details are given on the buyer's name and address, the description of the order in question, and details on the prices quoted and the delivery conditions and terms offered by the company making the inquiry. The second form, "Request by Secretary for Information," is duly sent to each member designated in the inquiry. These members are requested to supply full information on their quotations, if any, on the order in question, with the understanding that information on quotations made by other members will, in turn, be relayed to them. Each member is also requested to answer "yes" or "no" to four questions: "Did you quote on this?" "Did you receive the order?" "Did you receive the order at the prices shown above?" "If you did not receive order, do you know who did?" If the answer to the last question is "yes," the name is to be given. The third form summarizes the results of the inquiry and is sent to all members reporting. Individual member quotations are identified and the successful bidder named.

Filing of all bids after transaction is closed.

The term, "bid filing," suggests that information on bids is collected while transactions are still pending, even though dissemination of the data awaits the actual closing of the bids and the awarding of the contract. Some associations, however, confine their bid informational service more strictly to past transactions and do not ask that bids be filed until the transaction is closed. The "Market Analysis Procedure" of the National Association of Fan Manufacturers illustrates this practice. The plan, as amended September 15, 1939, provides for two types of service: a monthly summary of all orders accepted; and special inquiries upon requests concerning bids submitted in specific closed transactions. Provisions covering these two services are set forth in a formal resolution adopted by members of the association. Paragraph one deals with the regular tabulation on successful bids:

Each member participating in this procedure shall not later than ten (10) days after the closing date of every order accepted for products in the industry after October 1, 1939, deliver or mail to the Secretary-Treasurer of this association: (a) Copy of estimate itemized showing detailed list of material; individual prices;

freight; allowances; terms; and other discounts, the net of which shall be not more nor less than the total amount secured for the order; location and character of the job for which the materials are intended; name and location of customer.

The secretary-treasurer of the Association is directed to tabulate and circulate this filed information to participating members "without in any manner disclosing or identifying the equipment with a specific job." He is further required to prepare the tabulations in strict accord with the closed estimates and—

* * * at all times refrain from delivering, publishing, or stating in any manner, directly or indirectly, any opinion, prophecy, or statement, with respect to future prices or production in the industry, or the future course of the industry or any part thereof, and shall make copies of such tabulations available to such governmental departments or agencies and other parties as shall be legally entitled to receive them and who shall request them.

Paralleling this more or less routine market analysis is the specific inquiry, which presumably facilitates the prompt discovery of misstatements or misrepresentations made by buyers concerning competitive bids. Paragraph 4 of the resolution sets forth the procedure as follows:

Upon specific request from a participating manufacturer for a detailed disclosure of a past and closed transaction, the Secretary-Treasurer may ask for and the manufacturer who secured the order shall deliver or mail to the Secretary-Treasurer within 5 days after receipt of request, a copy of the itemized material covered by the order and their itemized prices. The Secretary-Treasurer shall secure from all manufacturers who bid on this specific job an itemized estimate of their last and final bid. This assembled data shall promptly after its receipt by the Secretary-Treasurer be sent only to those manufacturers who submitted information on this specific closed and past transaction.

The bid reporting scheme of the National Elevator Manufacturing Industry, Inc., is integrated with the collection of data on "New Booked Sales" and is noteworthy for the emphasis placed on discussion of the findings. Members participating in the statistical program submit lost or won reports of contracts that have been awarded. These lost and won reports are accumulated at the headquarters of the association and grouped according to individual projects, which in turn are grouped according to established marketing zones. At regular intervals of about 60 days, meetings of the members are held in various zones of the country to discuss these lost and won reports covering jobs that have been awarded since the last meeting. Discussing this practice, the commissioner of the association states that:

These discussions are valuable to our members in that they bring out the detail on each contract awarded, showing every member just what equipment was supplied for the price obtained.

Since information as to a competitor's price secured from a purchaser is frequently misleading and since competing companies frequently bid on different specifications for the same job, regional meetings and discussions of awards offer the only reliable information as to the price and nature of the equipment furnished.

At these meetings it was formerly the practice of the members to take copious notes on the Lost and Won reports as they were read off and to avoid this we created a summary of the reports showing the principal specifications and prices.

The detailed reports of contract awards and lost bids contain full specifications and the final selling price or lowest price quoted. The reports also state whether the contract is financed by private capital or government funds. The summary tabulation disseminated to

members identifies the customer, the transaction, and the bids of individual companies. Awards made to firms who do not report are also included, and notation is made of contracts that are canceled. It is not entirely clear from the available information whether the summaries are actually distributed to members, but the implication is that they are. In any event, the information is conveyed to all members attending zone meetings and is not restricted to those actually bidding on a given transaction.

Current filing of all bids, with dissemination after transaction is closed.

The most frequent type of bid filing service is that involving the current filing of information on each bid or quotation at the time it is made to the buyer, the tabulation of information on both successful and unsuccessful bids after the transaction is closed, and the prompt release of the information on each transaction. The release may be made in detailed or summary form, orally in meetings, or in written reports mailed to each member; it may be limited to bidders on the particular transaction or may go to all members participating in the bid filing plan. It may or may not involve identification of customers and the bids or price quotations of individual sellers. Not infrequently the over-all bid filing plan is integrated with a special inquiry service.

The quotation exchange maintained by the Association of Bank Note Companies supplies data on both successful and unsuccessful quotations. A member company making a bid for any prospective business files a report on the bid with the central office. This bid is impounded until some member reports that he has received the order or that it has gone to a nonmember of the association. The office then makes up a compilation of bids and sends it not only to the bidders but to all association members. If there was but one bidder on a job, the information is not circulated. The facts reported on any quotation include the customer's name, quantity, price, and specifications of the product offered. Members of the association do between 30 and 40 percent of the total business in the engraving of bonds, certificates, and other instruments of value, with the remainder of the business done by one large company which is not a member of the association.

The Organization Service Corporation maintains bid filing services for two trade associations—the Electric Overhead Crane Institute and the Transportation Metal Sash Institute. The plans are similar and involve the filing of full data on each bid submitted—revised as well as original bids—and the circulation of a summary comparison of all quotations made on each closed transaction. Release of this summary is permitted only after some member has filed a report indicating that the order on a particular job has been placed. In explanation of its practice of accumulating data on bids before instead of after the actual placing of orders, the management organization makes the following points:

1. The time lapse between original bids and placing of orders frequently—practically always—is from 3 to 7 and 8 months.

2. The physical specifications are usually altered by the buyers, in some class two and three times.

3. The type of construction varies very materially in the case of each manufacturer even on specifications furnished by the buyer.

4. There are no physical standards and frequently there is a variance of from 25 to 50 percent in weight of finished material and prices charged for finished products, designated to perform identical services.

5. Under these circumstances, if all this "back" data were assembled on a closed transaction after the order was placed, it would take so long to issue a report that it would be valueless to the manufacturers in making comparisons of data. * * *

The "Bid Depository" of the American Institute of Steel Construction, Inc., requires the filing of copies or summary statements of all new or revised bids for the sale or erection of structural steel aggregating 50 tons or more. The plan provides that the bids be submitted in sealed envelopes, with proper identification of the bid and bidder on the outside but no information concerning the tonnage of the job or the price quoted. Filed bids are opened by the director of the statistics only after a contract has been definitely let, and then only if more than one bid is on file with the depository. Opened bids are tabulated and copies of the tabulation sent to each bidder. The rules provide that:

Such tabulation shall identify the several bidders as well as the job, and, with respect to the lowest bid submitted by each bidder, shall show the tonnage, the price, and a statement as to whether such price covered only the fabrication and delivery of such tonnage or the fabrication, delivery, and erection thereof, or the erection thereof only.

If the award is made to a bidder other than those depositing their bids, the director may still tabulate the filed bids relating to the job if he can be definitely assured of the awarding of the job by the receipt of a signed written statement or telegram from the successful bidder or the buyer.

The National Electrical Manufacturers' Association several years ago adopted a policy with respect to bid reporting on closed transactions for the guidance of any subdivision wishing to initiate such a service, but the director of the statistical department states that there has been very little recent activity of this type. A 1937 revision of the N. E. M. A. plan describes two approved procedures which may be followed in the closed-transaction survey. One, designated the "Identified Procedure," may be used to elicit information concerning bids on a specific closed transaction at the request of some unsuccessful bidder. Members participating in the program are canvassed to discover which ones submitted bids and the nature of their bids. A summary, identifying individual bids, is prepared for the original inquirer and for all companies that quoted on the business. The "Unidentified Procedure" differs from the above in that companies participating in the plan regularly inform the statistical department of the association whenever they issue a quotation on a project, identifying the prospective purchaser and the specification of the proposal but not the price quoted. The above information remains confidential in the statistical department until a member requests a tabulation on a particular closed transaction. From that point the steps are similar to those of the identified procedure, but it is necessary to circularize only those companies that have already advised the statistical department that they have bid or quoted on the material in question, and, in distributing the summary information, individual bidders are identified only as company A, B, C, etc. A corollary

to each of these approved procedures is the stipulation that, "No Division, Section, Group, or Subgroup of N E M A which makes use of the closed business transaction activity is permitted at any meeting to discuss the prices that are revealed on such reports."

Bid filing plans involving more or less regulation of bidding practices.

Available information on the bid filing plans already described suggests that they impose no regulation of bids or bidding practices and depend entirely on publicity as a means for improving the competitive situation. Other bid filing plans embody various trade practice requirements, backed in some cases by formal agreements and penalties.

The bid depository plan of the National Electrical Contractors Association has been used in full, or in part, by some forty of the affiliated local groups. One local is said to have used it for more than 7 years. The secretary of the national association indicated, in the latter part of 1939, that it was planned to intensify the program under the auspices of the national association. A policing committee was to be appointed whose job it would be to see that no local groups diverted the bid filing procedure to illegal ends or in any way operated the plan so as to bring it into ill repute. The policing of the local bid filing arrangements is considered a necessary step to safeguard the national association in its endorsement of the activity. The secretary believes that the plan is entirely legal if properly administered. The bid filing plan is set up as a "Voluntary Agreement of Fair Competition." It is described by the national association as:

* * * strictly a mutual agreement between the subscribers, with an adequate financial deposit for good faith and penalties for infractions to assure its observance.

The plan is based upon exchange of fullest information upon *closed transactions* only, to insure an intelligent observance of sound business practices in competitive bidding as set forth in the agreement. It does not attempt to interfere with free and open competition, but it binds its members to certain agreed upon penalties for any disregard of sound estimating practice, for errors or carelessness in preparing estimates, or for unfair competitive bidding destructive to the interests of the industry and the public as well as to fellow subscribers.

The plan does not require 100% or even a major part of 100% of all electrical contractors within the area of the agreement. It has been successfully operating in 1 city of 300,000 population with only 16 electrical contractors participating in the agreement. The experience of each group operating under this agreement has shown that the old fear of outside competition is unfounded and 90% of all of the competition coming under these agreements has been within the members of the groups.

The mechanical procedures as provided in the agreement designate as a depository for bids an impartial agency, such as a bank or trust company. Each member bidding on a job of \$200 or more is required, when he submits a bid to an awarding authority, to file with the depository a sealed copy of the bid, broken down in a manner prescribed in the contract agreement. All sealed bids in the hands of the bid depository are delivered unopened to the secretary of the association at the next regular meeting. Single bids on any project, or bids on projects for which an award has not yet been made, are returned unopened to the bid depository. If two or more bids are on file for a transaction that has been closed, the sealed bids are opened by the secretary in the presence of the members, the

information is tabulated from the various break-down sheets, and the results made available to all members present. The opened bids are then subjected to examination by a "Committee of Audit and Review," which consists usually of two or three members, preferably not bidders whose bids are to be audited on that occasion. This committee audits the opened bids and break-down sheets in accordance with the rules and regulations set forth in the agreement and reports its findings either at the same or the next meeting. Members are required to attend or to be represented at every regular meeting of the group, or be subject to a fine of \$5.

The prescribed break-down to be used in filing bids calls for the inclusion of each of the following elements of cost:

All materials required for the job
 All labor required for the job
 All job expense, which shall include—
 Drafting, if any
 Delivery of materials
 Transportation of employees, board, and lodging, etc., if any
 Municipal permits
 Inspection fees
 Public liability and compensation insurance
 Payroll tax (Social Security Act)

In addition:

Members shall add to their estimated cost a minimum percentage of such cost for their overhead and profit, as follows:

Cost from	\$200.00 to \$400.00,	add 40%
Cost "	401.00 to 600.00,	add 35%
Cost "	601.00 to 800.00,	add 20%
Cost "	801.00 to 1,500.00,	add 25%
	1,501.00 and over,	add 20%

There shall be added for expense of this Association 2% of the sum of cost, overhead and profit. The successful bidder shall pay to the Treasurer the 2% so determined in monthly payments, first payment being due when the first estimate is paid and other payments being due as estimates are paid.⁴²

If the successful bidder is 8% or more below the average of bids of all Members bidding, excluding the highest bid if it is more than 8% above the average, the amount to be paid the Treasurer for Association expenses shall be increased from 2% to 5% of the sum of cost, overheads and profit as determined above.

In the event any Member is called in to revise his estimate and all other bidders of this group are not called in, and this Member is successful in closing job on revised estimate, the penalties as determined by the audit of the original bids shall be invoked.

Where competition occurs between only two Members and the low bidder is 30% or more below the high bidder, the amount to be paid for Association expenses by the successful Member shall be increased on this particular job to 5%.

If a Member cuts his bid after submitting it to an awarding authority or his agent, there shall be added the amount to be paid to the Treasurer for Association expenses an additional sum of 8% of the sum of cost, overhead, and profit.

The successful Member shall exhibit signed contract for each competitive job closed, at the next meeting of the Members following the closing of such contract. In the absence of a signed contract, he shall submit an affidavit at such meeting, stating amount of contract.

Where competition occurs between Members and a Member takes work on Time-and-Material, Cost-Plus, or any other basis other than a flat contract price, the successful Member shall submit his original signed contract or an affidavit, outlining the basis on which work was taken, and if there is any dissension, the matter is to be referred to the Good Will and Grievance Committee to bring in recommendations.

⁴² Apparatus and equipment commonly furnished by the owner are not subjected to the 2 percent paid to the Association but, if called for, must be shown separately on the member's break-down sheet at amounts not less than the standard prices established by the manufacturer for such apparatus and equipment to the particular awarding authority.

Where Members have received work upon which other Members have submitted bids and upon which extra work has been secured by the Member without competition while the Member is on the original job, whether it be on the same project or any project belonging to the same owner or under the same management, the Member shall pay to the Treasurer the same percentage for Association expenses as was included in the original figures, including all penalties. * * *

When Members are asked for proposals on work where the owner furnishes all or part of materials, the work shall be figured as if all materials were to be furnished by the contractor and the price established for such job as outlined above, and then cost only of usable materials to be furnished by the owner shall be deducted from the competitive price.

A Nominal penalty of \$2.00 shall be placed on any Member for any error in his break-down sheet. In addition to this penalty, where an error is made in the preparation of a Member's break-down sheet which changes the relative position of the bidders, the Member who made such an error and secured the business shall pay into the Treasury 25% of the anticipated overhead and profit.

If a Member neglects to file a copy of the break-down of his estimate as outlined above, he shall be penalized \$5.00 and shall be required to file previous to next regular meeting of the Members the break-down of his estimate as outlined above, so as not to subject himself to further penalties.

To obviate the possibility of Members being suspicious of any bid made by any Member in reference to the minimum amount of \$200.00 cost, as outlined in Paragraph 6, if a contractor or contractors submit a bid basing their cost on less than the above minimum and a majority of contractors have based their cost on the minimum amount or more and have filed break-downs of their estimates, then the successful Member will be subject to all rules and penalties set forth herein.

No Member shall take a cost plus job at less than the cost of material, labor, and job expense, plus 20% minimum fee.

A bid depository system depending more on a gentleman's agreement than on specific penalties for enforcement was successfully operated for several years by the Carolinas Tile, Marble and Terrazzo Contractors Association. This group and other local groups found it necessary to abandon their bid depositories some time ago, according to the secretary of the national association with which they are affiliated, because of the wording of the noncollusion affidavit required by P. W. A. on all projects.

The bid filing regulations for the Carolina group were set forth in a "Code of Ethics." This code, in effect, provided for the voluntary continuance of a bid depository system that had been authorized under the industry's N. R. A. code of fair competition. However, bid depositories had been in existence in the industry for many years prior to the N. R. A., and the local depository had been only temporarily disorganized during the depression years. Under the code of ethics, each member of the association covenanted and agreed with each and every other member "for and in consideration of the benefits received, and to be received, from the adherence to the regulations herein adopted," to observe the following practices, among others:

File all bids on projects in excess of \$100 with the Bid Depository, 24 hours before the awarding of the general contract.

In the event the awarding authority desired to award the contract to a contractor other than the lowest bidder, such contractor would "maintain his original price and neither by rebate, credit, or other transactions or in any other way" lower his price on the original job.

No bidder would endeavor to change the specifications or use other means of reducing his price for the purpose of meeting a competitive bid.

No contractor would submit a bid on any part of a project being executed by another contractor without first consulting him, and the second contractor would protect the first by a margin of 20 percent. In the event the second contractor received the contract, he would pay the first contractor 10 percent of his own bid price.

Bids not registered with the Bid depository were to be considered void, and if any such contract was accepted and executed by a contractor, he was to pay a fine of 5 percent of the bid. The Association would give 3 percent to the contractor whose low bid complied with the regulations, and keep the remaining 2 percent for the Treasury.

Complaints of alleged violation of the regulations were to be made in writing to the President, who would notify the offending contractor to be ready to present his version of the case at the next meeting of the Association. Members were required to vote after hearing the evidence of both sides, and if the complaint was sustained a penalty of 5 percent was imposed on the offending contractor.

One rule of the Bid Depository provided that the Registrar should advise any bidder immediately whose bid was 20 percent below the average. The implication of this rule was that the bidder should either revise or withdraw his bid upon such notification. It was frankly admitted by members of the association that this rule and the provisions of the Code of Ethics were not enforceable by law and could be effectuated only through a gentleman's agreement. As one member expressed it:

The only thing that you can do there is, as I said before, have a gentleman's agreement. We don't know whether it would hold up in the courts or not, the courts have never had a case to try, and I suspect if it were to go into court we would probably all be in "Dutch."

Investigation of specific job contracts.

An activity closely paralleling that of the investigation of bids on specific jobs is the procedure for investigation of specific job contracts. The intent of this activity like that of bid filing, is to combat misrepresentation and fraud on the part of purchasers, by disclosing the facts surrounding a given transaction. It may be exemplified by the plan of the Copper and Brass Mill Products Association.

Specific job contracts supposedly cover the material requirements for a particular building construction job and are intended to protect the customer against a rise in the market price of copper and mill products during the course of the job. In effect, they are not firm contracts but long-term options giving the buyer a right, but not imposing an obligation, to receive deliveries up to some stated volume at the price quoted. The contracts are not enforced against the buyer and are considered complete when the construction job is finished or abandoned, even if the buyer has not taken the quantity contracted for.

Such contracts are generally not made with contractors on the job but with distributors, who also buy copper on order and on short-term contracts for their general stock. It was found that some distributors were abusing the privileges of specific job contracts by entering into contracts for construction jobs that did not exist, for jobs which the distributor was not supplying with copper or other materials, for quantities in excess of the requirements of the job covered by the contract, or for jobs that had already been covered by specific job contracts with another manufacturer. The excess contract coverage obtained in these ways permitted distributors to speculate in copper and other materials with a minimum of risk to themselves. If copper went up in price the distributor could demand delivery up to the limit of his contract coverage and sell the uncommitted materials at profit; if copper declined in price, he could simply not fulfill his part of the contract.

In an attempt to protect themselves against such practices, members of the Association began in January 1936 to investigate jobs for which specific job contracts had been entered into by manufacturers of pipe and copper water tube. The purposes of the investigation were to determine whether the job existed, whether the distributor was obligated to supply the job with products, whether the quantity contracted for was in line with the actual requirement of the job, and whether duplicate contracts had been negotiated so that the total amount was in excess of the job requirements. Manufacturers of pipe and copper water tube reported all specific job contracts to the association, which investigated and reported back to the manufacturers the facts disclosed. Any corrective action, such as the cancelation of a contract, was left entirely to the discretion of the individual manufacturer.

Difficulties encountered in investigating and in remedying these contracts led to a revision of the procedure. In August 1938 an agreement was negotiated providing for more effective collective action. The procedure is described by the secretary of the association as follows:

All manufacturers agree in this procedure to insert in their specific job contracts covering pipe and copper water tube the provision in Section 3 thereof, making a number of specific warranties concerning the building job covered by the contract and the use on that job of the material contracted for. The Secretary of the Association is empowered by such contracts to investigate the job, and the distributor undertakes to secure and furnish to him information concerning the job and to accept his finding as to the facts as conclusive. All specific job contracts for pipe and copper water tube entered by each manufacturer are reported to the Association, and an investigation of the job is made. Subsequent investigations may be made from time to time during the course of the job. If it develops that the job for which the contract was entered does not exist, or that the buyer has no definite obligation to supply the products contracted for to the job, the contract will be canceled. If the contract has been entered for more than the actual requirements of the job, the contract will be reduced in quantity to those requirements. Provision is made to insure that the distributor will receive all of the products he actually needs and has contracted for to complete the job. If the distributor had duplicated contracts with several manufacturers for a total quantity in excess of the actual requirements of the job, he will be required to elect from what source or sources he wishes to receive the products which he actually requires, and the excess coverage will be canceled.

The above procedure had been in operation a relatively short time when the association replied to the present survey, and hence it was not able to judge of the effectiveness of the procedure in controlling the abuses cited. However, a move was under way at that time to establish a similar procedure for specific job contracts on sheet copper. Investigations of such contracts were currently being handled in the manner previously used for pipe and copper water tube.

Information on the extent of participation in bid reporting plans and their success in obtaining full and accurate reports on bids submitted is scanty. It is evident, however, that a bid filing service may be helpful without complete participation by the members of an industry. A company may refuse to give the facts on a particular transaction even though continuing to file copies of other bids. Information on the bid depository plan of the American Institute of Steel Construction, Inc., for instance, indicates that up to 1936, 133 companies had cooperated in the plan to some extent, but that

only 75 to 80 companies were thought to be filing on every job. In 1937 some 100 companies were served. Questioned by members concerning the reliability and accuracy of the facts filed with the bid depository, the statistical director of the institute answered emphatically:

I haven't any reason at all after a year's careful observation and experience to question the integrity of anybody who sends us a report. I have never known an instance in which we have asked for the facts and those facts were sent to us that they were other than facts. I have known of cases where companies have refused to send us the facts, or excused themselves, but I know of no cases where they have misled us in regard to the truth. In other words, there isn't the slightest reason that I have to question anybody's veracity.

The discontinuance of former bid filing plans in various industries and the limited number of plans in operation suggest that in most national and regional industries the benefits to be derived from a voluntary bid filing plan either are not significant, are not feasible of attainment, or are not considered commensurate with the expense and bother of maintaining the service. Uncertainty concerning the legal status of bid filing probably is not an important limitation to the spread of this activity. The dissemination of bids on pending transactions has long been considered of dubious legality, but the exchange of bids on closed transactions appears to have been accepted as an entirely legitimate form of statistical reporting. The following observation concerning the legal status of bid filing was made in the Federal Trade Commission report, *Open-Price Trade Associations*, in 1929:

In so far as an association confines its work in this connection to the mere reporting of awards and bids and the amounts involved therein, it would seem to be engaged in activity safely within the scope of the decisions of the Supreme Court in the *Maple Flooring* and *Cement* cases. But, should the association attempt to influence members and others to use any part of the reported information as a basis of collective action on future bids, or in an attempt to blacklist a contractor who peddles bids, then the plan is no longer the mere reporting of past and completed events.⁴³

The attitude of the Department of Justice concerning bid filing is essentially similar, if one may judge from an unofficial appraisal of the N. E. M. A. bid filing procedure some years ago. The original N. E. M. A. plan was submitted to the Department of Justice in 1927, for examination in an attempt to discover whether it was subject to criticism under the antitrust laws. The Attorney General in charge of antitrust work disclaimed any authority or intent to approve any proposed procedure but made the following comment:

As we understand, it is the custom amongst buyers of products made by members of the association (as electrical motors, etc.) to request competitive prices on the same item from two or more of the manufacturers, and that bidders in the association desire that there may be a disclosure amongst them of the prices and conditions submitted by each, to be made, however, after the transaction shall have been closed and only when a bidder shall make special request for the information. Such information, it is said, is not only withheld by the recipient of the bids, but the actual prices received are sometimes erroneously reported. It is further understood that the members of the association will act, and will understand that they may act, with regard to prices, terms, etc., made contemporaneously with the operation of this plan, with entire independence, that is, free from the restraint caused by any agreement with, or criticism from their associates relative to prices, etc.

So understood the plan discloses no cause for proceeding by this Department; but the failure to make criticism ought not to be taken as an indirect

⁴³ P. 275.

approval. This view is, of course, based on the facts presented, and not upon a subsequently disclosed intent or effect; hence, the Department will be deemed to be free to take any action which may be required by the actual effect of the plan in the future."

Recent indictments obtained by the Department of Justice against local construction groups not infrequently include references to bid filing arrangements, the charges being directed against restrictive agreements surrounding the making and acceptance of bids.

STATISTICS OF THE SOUTHERN PINE ASSOCIATION

The remainder of this chapter describes the statistical activities of three associations—the Southern Pine Association, National Container Association and its affiliated regional groups, and the Envelope Manufacturers Association. These cases are not presented as typical of the statistical activities of trade associations but rather as illustrative of a number of types and characteristics of trade association statistical analyses that have been referred to, but not developed in detail, at previous points in this chapter.

The Southern Pine Association, like a number of other lumber associations, has for many years supplied its members with a weekly barometer service on current market conditions. Since the barometer comparisons emphasize relative rather than absolute relationships, they are particularly adapted to reflecting current trends in an industry in which the statistical coverage is low or varies considerably from one reporting period to another. This situation is typical of the lumber industry as a whole and of various regional and species divisions, such as the southern pine industry, which are represented by separate trade associations. The collection of lumber trade statistics is handled almost entirely through these divisional associations. The basic data on production, orders, and shipments are compiled and released by member associations to their own subscribers and are forwarded to the National Lumber Manufacturers Association for republication in the National Lumber Trade Barometer. This is a monthly statistical bulletin, issued regularly since 1918, which summarizes the available trade statistics for the entire lumber industry. Barometric data submitted by the affiliated associations are reproduced in tabular form, and two pictorial diagrams are shown presenting barometric data for the combined hardwood species and for the combined softwood species of lumber. The N. L. M. A. barometers afford a current guide to operations in the lumber industry as a whole and give each divisional association an opportunity to compare its own market situation with conditions in other and competing branches of the industry. In a very real sense, therefore, the weekly barometer releases of the Southern Pine Association are supplemented by the consolidated monthly reports for all lumber groups affiliated with the National Lumber Manufacturers Association.

The lumber industry is characterized by a multitude of operators, of whom the small units far outnumber the large. Trade associations in the industry represent, in all but the more specialized branches, a relatively small proportion of the producers eligible for membership but a

⁴⁴ As quoted in National Electrical Manufacturers Association, "Handbook of Closed Business Transaction Activity" (Mar. 25, 1937), pp. 2-3.

large and significant proportion of the total sales of their products. As these associations are federated in the National Lumber Manufacturers Association, they transmit their characteristics to the federation, which states that it represents 10 percent of all lumber manufacturers and 70 percent of total lumber production. The N. L. M. A. is composed of the following 14 trade associations:

- American Walnut Manufacturers Association.
- Appalachian Hardwood Manufacturers, Inc.
- California Redwood Association.
- Mahogany Association, Inc.
- Maple Flooring Manufacturers Association.
- Northeastern Lumber Manufacturers Association.
- Northern Hemlock and Hardwood Manufacturers Association.
- Northern Pine Manufacturers Association.
- Southern Cypress Manufacturers Association.
- Southern Hardwood Producers, Inc.
- Southern Pine Association.
- The Veneer Association.
- West Coast Lumbermen's Association.
- Western Pine Association.

These divisional associations vary widely in their coverage and in the extent of their statistical activities. Those for which barometric data are reported in the National Lumber Trade Barometer are the southern pine, west coast, western pine, California redwood, southern cypress, northern pine, southern hardwood, maple flooring, and northern hemlock groups. The Barometer also includes statistics on oak flooring—indicating that barometric data are also reported by the National Oak Flooring Manufacturers' Association, which is not a member of the federation. The data regularly reported relate to production, shipments, orders received, gross stocks, and unfilled orders in M feet.

The Southern Pine Association is one of the largest groups in the national association, and its volume statistics comprise a significant part of the composite totals presented in the national barometer for softwood lumber. The present association was formed in 1914 as the successor of the Yellow Pine Manufacturers Association, which was founded in 1902. In 1938 approximately 300 manufacturers were subscribers to the association services. This membership, according to the association, represented only 10 percent of the total number of pine lumber manufacturers in the South but approximately 45 percent of the total production and 60 percent of the productive capacity of the southern pine lumber industry.

The statistics of this association are particularly notable in that they constitute one of the most elaborate current statistical services encountered in trade association work. The trade statistical publications of the association are generally available to nonmembers at a fixed charge, and much of the information is reproduced in trade journals and in the monthly statistical summaries issued by the N. L. M. A.

Of the association's statistical releases, the Weekly Trade Barometer is the most featured. Current statistics for the Barometer are collected on a standard reporting blank set up in balance-sheet form,

with detailed instructions for recording each item. These are filled out by members each Saturday to cover the week ending that day. The Barometer appears on the following Wednesday.

The Barometer includes two pictorial diagrams—a “Comparative Barometer” and a “Current Barometer”—with the supporting figures for each and a statistical supplement summarizing data compiled for the National Lumber Trade Barometer. Both of the barometers record current trends and both emphasize comparative relationships. The “Comparative Barometer” shows current relationships in millions of board feet, with special emphasis on comparisons with previous reporting periods. The “Current Barometer” shows all relationships in percentage terms. Each barometer diagram contains three tubes—one for production, one for shipments, and one for orders—and provides three different comparisons. One of these is measured by the height of the red columns of mercury in the tubes, one by vertical black arrows in the columns, and one by horizontal black arrows beside the columns.

In the “Comparative Barometer” the columns of mercury represent current production, current shipments, and current orders in millions of board feet. For the week ending December 9, 1939, it was based on reports from 117 mills.⁴⁶ This number may vary slightly from week to week, but for any week the comparison of the current week with preceding weeks is based on reports from the same mills. The vertical arrows mark the comparative figures for the preceding week, and the horizontal arrows the figures for the corresponding week in the preceding year. The tabular data used in constructing the comparative barometer are presented on the back of the release, in the form of a balance sheet showing orders on hand at the beginning of the week; orders booked, shipments, and production during the week; and orders on hand at the end of the week.

The “Current Barometer” is designed primarily to show the relative position of average production, average shipments, and average orders in the current reporting period as compared with certain norms. The mercury columns record the position of current production, current shipments, and current orders in relation to a 100-percent base line, representing a 3-year average production figure; the vertical arrows show the relative position of production, shipments, and orders for the year to date; and the horizontal arrows show how the current week’s production, shipments, and orders are related to “normal production” for the same mills. It should be noted that the comparisons recorded by the “Current Barometer” all relate to a production base. It is true that the heights of the mercury in the three tubes indicate the relative volume of orders, shipments, and production during the current week, because the three values are plotted from a common zero base line, but the comparison stressed in the legend is the position of the three items with respect to the 100-percent level, representing the 3-year average weekly production.

Because of the variability in the number and size of mills reporting from week to week, special techniques have been devised for maintaining comparability in the current barometer reports. This

⁴⁶ The number of mills is substantially in excess of the number of companies reporting, inasmuch as some of the larger companies operate a number of mills.

technique involves the calculation of an average production "unit" by which all data are reduced to a common denominator for comparative purposes. The statistician of the Southern Pine Association has supplied the following explanation of the per unit averages, together with definitions of the 3-year average production and the "normal" production bases used in the current barometer comparisons:

1. *What is a "unit"? How is it computed?*

Averages are shown in terms of "per unit" instead of "per mill" to smooth out variations caused by differences in size and type of mills reporting from week to week. If, for example, two or three very large mills report one week and fail to report the next, or if several smaller mills out one week should come in the next, an average computed on the number of mills reporting would be distorted. There would constantly be some fluctuation in such an average not chargeable to economic trends, and it was to overcome this difficulty that we adopted the "unit."

Our "unit" is derived from 3-year average production and is computed as follows: Production (including purchased lumber) in the period from November of the fourth preceding year through October the first preceding year, is totaled and compared with the production (including purchased lumber) of the same mills in the three years preceding the last year. The percentage difference, an increase or decrease, is applied to the 3-year average used in the preceding year, and the result gives the 3-year average applicable to the current year. This worked to an average of 309,000 ft. in 1939, and the average used for 1940 will be increased or decreased over that for 1939 in the ratio that production for identical mills has increased or decreased in the 3-year period November 1936 through October 1939 as compared with the 3-year period November 1935 through October 1938. The three previous calendar years are not used, because we must have the new basic figure ready for the first week in January, and some time is needed for the auditing process.

A 3-year average production per week is set up for each mill and is totaled for the mills reporting in any week. This total, divided by the unit average established for the year (explained on the preceding page), or by 309,000 ft. during 1939, gives the number of units reported. The number of units, divided into production, orders and shipments, gives the average per unit for these items.

An average computed in this way takes cognizance of the gradual increase or decrease in production due to type of mills reporting and due to structural changes in the industry, and it enables us to set up long-term comparisons, extending over any period of weeks, months, or years, that reflect a fairly accurate trend. The unit average serves no purpose other than an effort to render data comparable from one period to another.

2. *Why is "3-year average" Production used as base*

Up to the year 1928 "normal" production had been used as a base. This "normal" was computed from output in the first 4 months of 1916, or from some subsequent period in case of mills not operating in 1916. It was based on periods of full time production and indicated what such mills might produce in the current period if operated under similar conditions. By the time we had reached the year 1928, "normal" was set up on so many different periods for different mills and represented such extreme departures, in some instances, from what mills then reporting would be likely to do in future, that it was considered proper to make some revision in the basis. Very careful consideration was given the matter and it was discussed liberally in conference with persons in and out of the industry. The consensus was that a sound basis for an industry like lumber, which is subject to so many economic and natural influences, should revolve and be confined to the least number of recent years likely to yield a representative average. That explains why we adopted the 3-year revolving average. It makes current comparisons more sensitive and more valuable, and affords a sound basis both for determining current conditions in relation to the past and for computing long-term trends by means of the unit average.

3. *Why is "normal" production based upon the year 1930?*

Current operations are shown in our Barometer in relation to "normal" production merely to afford a further means of comparison. The 3-year average has

displaced normal as a base, and arrows are inserted on the thermometer to indicate where current production, orders and shipments would be if normal had been the base instead of the 3-year average.

It really makes little difference what year is used for normal. "Normal" is not found in the actual production for 1930, but is the production per hour that year multiplied by the number of hours the mill normally runs per week—60 hours for single-shift mills, 120 hours for double-shift mills, or such number of hours between 60 and 120 as the mill was generally accustomed to running when not confined to any restrictions.

The hourly output does not vary much over any period, and 1930 is mentioned because that happens to be the year last used in computing hourly production averages. The hourly output in any year, for mills now reporting, when applied against hours normally operated, would yield about the same result.

A sample issue of the Weekly Trade Barometer for the week ended December 9, 1939, carries the following explanation of terms used in the barometer comparisons:

Three-Year Average Production is average weekly output of reporting mills, when operating, in the 157 weeks, or three years, beginning October 28, 1935, and ending October 29, 1938.

Normal Production is the average hourly output per mill in 1930 multiplied by the number of hours normally operated per week.

Averages are shown in terms of "per unit" instead of "Per Mill" to smooth out variations caused by the shift in number and size of mills reporting from week to week.

A Unit is 309,000 feet of "3-Year Average Production" and the number of units reported in any week of 1939 is obtained by dividing the total "3-Year Average Production" of reporting mills by 309,000.

Total units reported are expressed in whole numbers to simplify comparison.

The above explanations make it clear that the average-production base is revised each year, but leaves unanswered the questions of how and when revisions are made in the "normal" production base. The secretary of the Association has further explained the "normal" production base as follows:

The comparison with "normal" production serves no purpose other than to indicate the relative degree in which current operations and the "3-year average" are functioning in comparison to what formerly constituted full-time performance. This "normal" remains fixed, and is adjusted only in the case of single-shift mills going permanently on double-shift, or double-shift mills going permanently on single-shift. It is computed by multiplying the average output per mill per hour by the number of hours the mill was accustomed to running per week prior to maximum work-weeks fixed by law. We make all determinations and all calculations from our records. The mills determine nothing. It is not necessary that we revise all "normals" each year, as we do in the case of the "3-year average," because the output per hour per mill varies little, if any, from year to year, and once it is determined there is no need to change it. The only changes made apply to mills who may vary from period to period between single and double-shift operations. Beyond that, the "normal" is fixed, and it would not be a "normal" if we tampered with it year after year.

"Normal" could be dropped from the Barometer, for it has no bearing at all on Barometer results. Its only purpose is that of indicating the approximate degree in which current operations are functioning in relation to a full-time normal which does not reflect hourly discrepancies, as well as in relation to a "3-year average" which does reflect hourly discrepancies.

The tabular data accompanying the "Current Barometer" include absolute as well as relative figures on the volume of production, shipments, and orders reported to the association. The volume data are expressed in two different units—carloads and board feet. Data on orders are broken down to show orders on hand at the beginning of the week, orders received during the week, and orders on hand at the end of the week. The number of mills reporting and the equivalent number of "units" are noted, and average per unit as well as aggregate

data are presented for each of the following items: current orders, current shipments, current production, 3-year average production, and normal production. The ratios shown in the "Current Barometer" are derived from these averages.

Two of the three comparisons shown graphically in the "Current Barometer" are repeated in tabular form: actual production, shipments, and orders for the week are each shown as a given percent above or below the 3-year average production base and as a given percent above or below "normal production." Other quantitative and percentage relationships shown are current shipments to current production, current orders to current production, current orders to current shipments, and the difference in orders on hand at the beginning and at the end of the week. No cumulative figures on production, shipments, and orders for the year to date are given, but a summary of the weekly reports for the preceding quarter is presented, showing for each week the number of units reporting and the averages per unit for orders, shipments, production, 3-year average production, and normal production. The 3-year average production per unit remains constant during any given year, but the other averages, including the "normal" production base, vary from week to week.

In addition to the weekly barometer release, the association issues a monthly mimeographed bulletin of six or eight pages, called "Southern Pine Statistics." This report contains data for approximately twice as many mills as are covered by the weekly barometer data, but the increased volume coverage is by no means proportionate to the increased mill coverage. For example, the barometer data for October 1939 represented approximately 70 percent of the production covered by the monthly statistical supplement for the same month, as compared with only about 50 percent of the number of mills. The significance of the monthly report as compared with the weekly barometer is commented upon by the secretary of the association as follows:

* * * The monthly report is furnished by 250 or more mills, or about twice the number of mills reporting weekly, and contains information on stocks not reported weekly, as well as inventory adjustments which are determined only at monthly intervals. It is more complete than the Barometer, and is used as the basis for industry estimates furnished the National Association, as well as for articles, briefs, reports, etc., prepared by us for publicity, etc. It gives us, in combination with the Barometer, the most thorough and most accurate statistical information available to any lumber group, and if it were discontinued our statistical coverage would not be adequate, and our statistical program as a whole would be greatly weakened. The weekly report is a quick, sensitive barometer of market conditions, while the monthly report is a balance sheet of the industry.

The monthly statistical report makes no use of per unit averages, 3-year production, or normal production bases. Reported production, shipments, and orders data are given in M feet for the actual number of mills reporting each month; and various comparisons are made of the current period with past periods for identical mills, although the number of mills included in these comparisons may vary from one month's report to another. Contents of the statistical bulletin include the following types of analysis:

- (1) A summary comparison of the volume data for the current month with data for preceding months and with total industry estimates. Production, shipments, orders, unfilled orders, gross stocks,

and unsold stocks in M feet are shown for each month in the year to date. The summary also includes for each month in the year to date the number and rated capacity ⁴⁰ of the reporting mills and the percent of that capacity represented by production, by shipments, and by orders. Unfilled orders are shown as a percentage of stocks as of the end of the month. For each month in the current and the preceding year there is presented a ratio of supply to demand, with the percent change from one year to the next, and the number of days' demand represented by supplies on hand. The ratio of supply to demand is expressed in terms of the board feet of supply in a given month per 1,000 feet of demand for that month. The supply item consists of stocks at the beginning of the month plus the month's production; demand is represented by unfilled orders at the beginning of the month plus orders booked during the month. Estimated industry totals are presented in board feet. They cover production, shipments, and orders during the current reporting period, and stocks, unfilled orders, and unsold stocks as of the beginning of the next reporting period. The difference between the actual figures for reporting mills and the estimated industry totals indicates the relatively low coverage of the association's statistics. For the month of October 1939 this comparison shows:

Item	M feet reported by 243 mills	Estimated M feet for industry	Percent of coverage
Production.....	198, 538	670, 000	29. 6
Shipments.....	226, 970	766, 000	29. 6
Orders.....	195, 854	661, 000	29. 6
Stocks.....	596, 548	1, 811, 000	32. 9
Unfilled orders.....	116, 174	431, 000	26. 9
Unsold stocks.....	480, 374	1, 380, 000	34. 8

The release does not indicate the basis of the industry estimates.

(2) A past 3-month trend comparison showing the percent increase or decrease in gross stocks and in unfilled orders. Separate trend data are given for individual States and major producing districts.

(3) An analysis of the current volume data by States, similar to the summary analysis described in (1) above. The supply-demand ratios for individual States are presented on the basis of reports of identical mills (222 in October 1939) for the current month, the preceding month, and the corresponding month in the previous year. Division of the supply total by the demand total produces the ratio figure, which is listed for identical mills in each of 12 States. A footnote explains the meaning of the figures:

Thus, Alabama's Supply in October, 1939, for the 29 mills reporting was 2.8 times the demand for that month, or 2,800 feet of supply to each 1,000 feet of demand, against 2,500 feet in September, 1939, and 3,270 feet in October, 1938. All 222 mills had an October, 1939, supply of 2.4 times October, 1939, demand, or 2,400 feet of supply to each 1,000 feet of demand, against 2,290 feet in September, 1939, and 2,920 feet in October, 1938.

(4) An identical mill comparison by States (based on reports from 222 mills in October 1939), showing the current month's volume data in thousands of feet as related to the preceding month and to the corresponding month of the preceding year, with bar charts indicating the relation of the totals in each period.

⁴⁰ As determined under the N. R. A. code by the Lumber Code Authority.

(5) A 3-year comparative analysis of volume data for identical mills (200 in October 1939), by months, with various percentage relationships between production and rated capacity, production and shipments, and production and orders, and the percent of change in stocks on hand.

The *monthly report on unsold stocks* is the only regular statistical release of the Southern Pine Association that contains a break-down of data by types and grades of lumber and by individual reporting mills. Reports on unsold pine stocks (total stocks less orders on hand) in M feet are submitted by some 80 reporting mills. The stock reports of all mills reporting in any given month are presented in detail for each type of product, size, and grade of material. The mills are identified by code numbers, for which a key is provided. From this compilation it is possible to ascertain the quantity of every lumber item available at each of the reporting mills. Total stocks of the various sizes and grades of lumber are also given, and comparative totals for identical mills are shown for the previous 2 months and for the corresponding month of the preceding year.

In February 1940 the Department of Justice brought charges against the Southern Pine Association for restraint of trade in connection with their grade marking and statistical services and obtained a consent decree against the association and 41 large producers of southern pine, ordering them to cease certain discriminatory practices and to abandon alleged agreements and attempts to control prices, production, and distributive practices in the southern-pine industry. The trade statistics of the Southern Pine Association were cited as one means used to effectuate the control of prices and production policies. Also cited was a private statistical service maintained by the Southern Pine Lumber Exchange, one of the defendants.⁴⁷ Although the exchange was not officially connected with the Southern Pine Association, most of the larger members were subscribers to this service. This service covered the collection, compilation, and release of detailed statistical data relating to sales, shipments, prices, and destination of southern pine lumber sold by subscriber manufacturers, including "sales reports showing each order by name of mill receiving same and territory to which shipped, the items sold, and the prices thereof."

The statistical reports of the Southern Pine Association and other lumber groups had been subjected to Federal Trade Commission and Department of Justice investigation at various earlier dates. The Commission made an exhaustive investigation of lumber trade associations in 1919 and 1920, and in 1921 sent reports on the Southern Pine, West Coast Lumbermen, Western Pine, and California White and Sugar Pine Associations to the Department of Justice, with the thought that the statistical and other activities therein described were of questionable legality. In its published report on these investigations, *Lumber Manufacturers' Trade Associations* (1922), the Commission described the origin and significance at that time of the trade barometer service of the Southern Pine Association:

⁴⁷ In addition to the Southern Pine Association, the Exchange, and the individuals, the National Association of Commission Lumber Salesmen was made a defendant in this action. The complaint was filed and the consent decree was entered February 21, 1940. On this day also an indictment was returned against the two Associations and the Exchange with respect to the same practices. The indictment was not contested. For the complaint and decree regarding the grade-marking activities of the association see ch. VII, below, pp. 318-319.

The operations of the Southern Pine Association center around the use of a device known as a trade barometer, by which, through concerted action, the association instructs its membership how to restrict production and thereby to increase the price of lumber, by an artificial control of supply as balanced against current demand.

This barometer is issued to the members of the association weekly. It is portrayed on the right-hand side of a sheet of paper and consists of a bulb out of which arise three perpendicular tubes. The first tube is designated by the word *orders*, the second by the word *production*, and the third by the word *shipments*. * * *

This device for restricting production was inaugurated in 1915. At that time there was printed on the upper left-hand corner of the barometer and just outside of the *order* tube the words *market advancing*. Directly opposite in the upper right-hand corner and just outside the *shipment* tube appeared the words *increase production*. On the lower left-hand corner were the words *market declining*, and just opposite on the lower right-hand corner the words *decrease production*.

The theory of the device was described by Mr. Charles S. Keith, president of the association, in a letter of September 18, 1915, to J. H. Kirby, as follows:

"The association will shortly get out a weekly barometer, which has been submitted to our counsel and which meets with their approval. This barometer will automatically forecast market conditions, and it is based on orders received and shipments made. Where the shipments exceed the orders, it indicates an advancing market, and whenever the reverse is true it indicates a falling market. Then once a month we will get out another barometer based on the production, which will indicate an advancing market when shipments are in excess of production, and a falling market when the reverse is true, advising increase of production when the orders and shipments are in advance of production and a decrease in production when the production is in excess of orders and shipments. This will give the information graphically."

Shortly after the barometer was circulated among the association members, Mr. W. H. Bissell, president of the Wausau-Southern Lumber Co., wrote to Mr. Charles S. Keith, president, and Mr. J. E. Rhodes, secretary and manager of the Southern Pine Association, advising that the words *increase production* be taken off, stating that "This is just the condition that we wish to avoid." Following this he said, "Is it not possible that some of our members might construe your weekly letter, bearing this label, as advice from our association, to cut loose and resume night sawing with their mills?" and again, "Some cautionary advice should be inserted, bringing home to our members the truth of the old adage, 'Do not kill the goose that lays the golden eggs.'"

Mr. Bissell's advice was followed and the four phrases, *market advancing*, *increase production*, and *market declining*, *decrease production*, were removed. Mr. Keith informed Mr. Bissell in a letter of November 1, 1915, as follows:

"In preparing the barometer, the attorneys thought that if we were going to show 'decrease production' thereon, 'increase production' ought to go on, too; so while we are not advising our people what to do, the barometer itself will tell the story."

It should be stated that while these four phrases were removed, there still remained beneath the barometer the following language:

"Whenever Shipments or Orders are below Production, experience indicates an overproduction, with consequent lowering of values.

"Experience indicates that whenever Shipments or Orders are above Production, values increase, provided Production does not increase at a greater ratio than Shipments and Orders."

The foregoing quotation appeared beneath the barometer continuously until October, 1919.

It should be noted in respect to the date October, 1919, that at this time the Commission was preparing to make an investigation of the lumber industry as requested by the Department of Justice but had not yet actually begun. However, the fact of this request had been ascertained and had been spread through the industry. Shortly after this, the language just quoted was removed.

In order to inform the members what information the association had upon which it moved the red up or down in the tubes, there was set forth on the same page to the left of the barometer, a summary of figures reported from the association mills. These figures showed the total amount of orders on hand, the total orders received during the week, the total shipments for the week, and then by subtracting the shipments from the orders, showed the balance of orders on hand.

The statement further showed, in percentages, whether and how much shipments were exceeding production; orders exceeding production; orders exceeding shipments, and whether there was an increase in orders compared with the last report. There was also other pertinent information tending to inform the members how to read the barometer.

In the early barometers, the association took as a base the actual production and compared the orders and shipments with it. Subsequently, the orders, shipments, and actual production were compared with an assumed normal production. This normal production was arrived at, by taking the production for a certain number of months. * * *

In addition to the barometer there was a continual correspondence carried on between various members, stressing the idea of decreasing production and the beneficial results that would accrue to the members of the association by such action. The activities of the association were also supplemented by trade journals which gave out information such as was portrayed by the barometers and through editorials urged the members to regulate their production according to the barometer.

Finally, to enable the membership more effectually to secure the fruits of their system of curtailing the production, representatives of the leading concerns held frequent meetings at which market conditions, including the supply and demand as reflected in the barometers, were discussed, and harmonious action on prices arrived at. At one meeting in particular, as evidenced by correspondence hereto attached, "the consensus of opinion on prices" was "that conditions justified an advance * * *," and that new price lists would "be out the first of next week carrying these advances."

As disclosed in the documents sent to the committee, the plan is for each mill to regulate its current production in accordance with the current total demand, as shown by the orders and shipments of all mills, and to cut down production immediately and proportionately to any excess in the total production over total orders and shipments, regardless of the position of any individual mill. At one meeting the members took a rising vote unanimously to the effect that each would regulate his own individual production according to the common plan, and keep it within the limits of demand as shown by the association statistics. This theory was explained and urged upon the membership at great length by association leaders during 1915 and 1916, during which time two pronounced curtailment movements were organized and carried out. The barometers were inaugurated and are now used for the purpose of securing the more effectual execution of the plan.

For more than a year during the war, the Southern Pine Association restricted the circulation of its barometers to the membership. This was for the purpose of preventing the buyers of lumber securing market information which would lead them to reduce their purchases in the expectation of lower prices. At the time such action was taken, the production was exceeding the sales. This action was taken over the protests of association leaders, who had warned that such restriction would constitute an admission of manipulation. As late as March 1920, Mr. Chas. S. Keith, for four years president of the Southern Pine Association, referred to the restriction of the barometers' circulation as being evidence of manipulation under such circumstances.

In its Open-Price Trade Associations, published in 1929, the Federal Trade Commission again discussed the statistical activities of a number of lumber associations. It was pointed out in that report that price and sales reports were never an important feature of the services rendered by the Southern Pine Association to its subscribers. Even prior to March 1925, when they were discontinued, the sales reports were not prepared from reports made direct to the association but were compiled every 10 days from the daily sales reports of the several "lumber exchanges" operating in the territory. Association sales reports were merely averages of prices collected by these outside agencies and were more valuable as a historical summary than as current data, since almost every member subscribed directly to one of the private statistical services. The private agencies continued to supply price and sales data to members of the association after 1925, while the association largely restricted its own statistical

activities to the weekly barometer releases, a monthly statistical bulletin on production, shipments, and sales, a monthly report on stocks, and various cost reports. Although the intensive statistical activities of the Southern Pine Association and other lumber associations were criticized in the Federal Trade Commission report as having in the past facilitated agreements on prices or curtailment of production, the only criticism of the lumber barometers, as such, was directed against their limited efficiency and serviceability in reflecting current trends. In concluding its appraisal, the Commission observed that:

Barometer reports are undoubtedly as legitimately interesting and important to the lumber manufacturer as crop reports to the farmer and supply and demand statistics to the businessman generally. All these, in fact, have the same purpose and function. * * * The lack of comparability in month-to-month data is largely met by the use of relatives in the lumber barometers. But it should always be remembered that the only means of insuring unquestionable comparability is the use of as nearly complete and comprehensive data as it is possible to obtain.

Since no formal evidence was taken in the antitrust action in February 1940, it is not possible to ascertain in what manner or to what extent the statistical activities of the Southern Pine Association were involved in the alleged agreements and restraints of trade. The trade barometer, monthly statistical bulletins, and stock reports were cited in the complaint and in the indictment as instruments facilitating the agreements for price and production control. Defendant corporations named in the complaint were said to represent in 1938 more than 65 percent of the production and shipments reported by all manufacturers reporting their production and shipments to S. P. A., and more than 85 percent of the total production and shipments of manufacturers reporting to the exchange. It was contended that the statistical information compiled and disseminated was not representative of the southern pine lumber industry but solely of said lumber corporations. It was noted also that the detailed data furnished to subscribers were "thereafter by way of averages and totals given widespread trade publicity in trade journals." The use of statistics to effectuate the conspiracy was alleged in the following paragraphs of the complaint:

From time to time the defendant lumber corporations, have sponsored, held, and caused to be held meetings and conferences attended by their respective sales managers and other executive officers. At such meetings and conferences expert statisticians of defendant S P A. have appeared and made informative talks using special statistical data compiled for that purpose, and use has been and is made of the aforesaid Trade Barometer, the statistical and price data set forth in the other reports compiled and furnished from time to time by defendant S P A and defendant Exchange, as aforesaid, and other data of similar character and import furnished and presented by those present, whereupon, after detailed discussion and consultation by, between, and among said sales managers and other executive officers, uniform, arbitrary, and noncompetitive prices were and are arrived at, decided, agreed upon by, for and between those present and thereafter acted upon and followed by their respective corporations.

Beginning sometime during the year 1936, and from time to time thereafter, at the aforesaid sales managers' meetings, at meetings held by defendant S P A, and elsewhere, the defendant lumber corporations have conducted like discussions as to inventories, production and production schedules of southern pine lumber, and reference to and use of the aforesaid statistical and price data and special statistics as to inventory and production having been made in connection with such discussions, those present have unlawfully combined and agreed to curtail and pursuant thereto their respective corporations thereafter in truth and in fact actually did curtail their production of southern pine lumber with

the intent of thereby arbitrarily and artificially enhancing and increasing the market value and sale price thereof.

By the consent decree entered on February 21, 1940, the defendants are enjoined and restrained from entering into and carrying out any program for fixing, establishing, or maintaining prices, holding or participating in meetings or conferences for such a purpose, and:

From in any manner disseminating information concerning or relating to current or future prices charged or to be charged for such products, provided, however, that the reporting, collection, compilation, and dissemination of information and statistics for the individual use of said defendants concerning bona fide prices actually charged in consummated sales, the extent of such sales, volume of production, production capacity, delivery, and consumption of products and the distribution thereof, unfilled orders, stocks on hand or in transit, including totals, averages, and other computations thereof, is not hereby prohibited wherever and to the extent that such information and statistics are made, or are readily, fully, and fairly available to the purchasing and distributing trade at the time of their initial dissemination, and provided, further, that the defendant S P A and defendant Southern Pine Lumber Exchange shall not in any manner criticize any price reported by any manufacturer as having been charged in an actually consummated sale, nor seek any explanation therefor from any such reporting manufacturer or disseminate in any manner any explanation thereof offered by such manufacturer in justification of any such price so reported. In reporting and disseminating the aforesaid information and statistics, said Associations and each of them shall not disseminate or publish any forecast of future market trends or any recommendation as to current or future sales, price, or production policy applicable to said industry.

That the said defendants herein and each of them and their respective representatives be and they are hereby perpetually enjoined and restrained from, directly or indirectly or by any means whatsoever, entering into or carrying out any program or aiding and abetting any program to limit, curtail, restrict, or otherwise control the amount of southern pine lumber to be produced or manufactured in any given time by members of the industry; provided, however, that nothing contained in this paragraph shall be understood to prohibit the reporting, collection, compilation, and dissemination of information and statistics in the manner and form and to the extent provided in Paragraph IV (c) [quoted immediately above] of this decree; and provided further, that nothing contained herein shall be understood to prohibit the reporting, collection, compilation, and dissemination, in a lawful manner, of information and statistics covering the cost of production of southern-pine lumber or other lawful and proper information and statistics.

Such restrictions seemingly would need have little or no effect on the content or on the form of the Trade Barometer and other regular statistical releases of the Southern Pine Association described above.

STATISTICS OF THE NATIONAL CONTAINER ASSOCIATION AND REGIONAL AFFILIATES

The National Container Association has until recently been managed by the firm of Stevenson, Jordan & Harrison, which in trade association circles has been one of the frankest advocates of the principle of mutual restraint in competition, characterized by it as the "Voluntary Sharing of Available Business." In attempting to implement this principle of business conduct the trade associations managed by this firm characteristically have engaged in the collection and dissemination of trade and price statistics and in some instances have emphasized cost accounting as well. Each of these activities figured in the National Container Association's program of voluntary sharing of available business.

An indication of the basic principles behind the program of the association is given in a memorandum of the industry's N. R. A. code

authority to an N. R. A. deputy administrator, prepared after the N. R. A. public hearing on the Code for the Corrugated and Solid Fiber Shipping Container Industry:

By now you have learned enough about the industry to realize the intensity of the competitive situation that existed in this industry from 1926 and 1927 on through 1932. A chart has been given to you which shows the constantly descending curve of prices over this entire period. By 1932 the industry was confronting a serious condition of losses, which if continued for a much longer period, would have undoubtedly caused the bankruptcy of many companies and very seriously eaten into the capital structure of the industry.

In 1932 this industry made contact with Stevenson, Jordan & Harrison in view of the service which they had rendered to other industries over a period of some seventeen years. After some preliminary discussions, Stevenson, Jordan & Harrison was employed to work with the members of the industry in an attempt to mitigate the extremely destructive competitive practices which were in vogue in the industry and to try and build some sort of an orderly market procedure.

In order to understand the plan presented to the industry, the basis of operation and the reason for it, it is necessary to go back and consider the steps by which in dealing with this problem over a period of years the Stevenson, Jordan & Harrison organization had arrived at the conclusions upon which it was based.

This work started originally seventeen years ago through the organization being called in to work out and install uniform cost systems in a number of industries. At that time it was thought that if the members of an industrial group could be brought to a point where they had an accurate knowledge of their costs and where these were developed according to a uniform plan, this would make for orderly and intelligent competition. Over a period of several years the Stevenson, Jordan & Harrison organization did help some five different industrial groups to develop uniform cost methods and handled the installations in the member plants to the point where a substantial majority of each industry was developing its costs according to the uniform plan.

However, a few years of experience showed that the anticipated results did not materialize. The reason for this was that in each industrial group there were found a certain number of companies which were what we called Volume Minded. These companies were always looking at their overhead data and figuring that if they could only increase their volume they could reduce their overhead per unit. Hence these companies were disposed to go out and under-sell the market, particularly on large orders, to secure volume and thereby reduce their overhead. This started the vicious struggle for the division of the available volume, which constantly tended to lower markets down to costs and below, with not only losses in profit and the impairment of capital but the tendency to debase wages.

The next step was based upon the thought that if in addition to a knowledge of costs the members of the industry had complete statistics on current orders, production, shipments, stocks in hand, etc., this tendency might be checked. Through these statistics each company would be fully informed as to the ebb and flow of the industry total volume and of its own experience in relation to that industry total, i. e., whether it was obtaining its fair share of the volume or not. It was the belief that the two sets of facts together—that is, the knowledge of costs and the knowledge of the industry picture—would result in policies of management arrived at by the various individual managements, which would make for a stabilized market.

The experience again was that the mere development of the facts as to costs and current statistics was not enough. Again the vicious struggle for volume continued—certain companies attempting to expand their operations by securing a share of the volume over and above what was reasonable in relation to past experience.

It was at this point that the Stevenson, Jordan & Harrison organization became convinced that under our present conditions—where in nearly every industry there is excess producing capacity—unless this basic struggle for the division of the available business could be dealt with, there was little chance for an orderly and stabilized market. From this developed the principle of an Equitable Sharing of the available volume of business.

Of course, it was recognized that this could only be applied in a limited way under the legal restrictions of the Sherman Anti-trust and the Clayton Acts. All that could be done for any industry would be to assemble the facts on capacity and on a record of past transactions over a period of years, from which a com-

pany could judge as to its relationship to the rest of the industry. Then to lay before the members of the industry—for purely voluntary action on their part as they might see fit—the economic fairness and soundness of this basic principle of an equitable sharing of available business.

The National Container Association is an unincorporated association of manufacturers of corrugated and solid fiberboard and shipping containers. The association was organized in August 1933. In 1938, according to the association, its 111 members represented 45 percent of the manufacturers in the industry and about 65 percent of total production. There are three types of producing units in the industry. The integrated companies produce their own paperboard, from which they fabricate containers. There were in 1938 less than 30 such companies, but they accounted for about half the industry's total volume. Converting mills buy paperboard, manufacture it into corrugated, and make containers. A last group consists of converting plants, known as "sheet mills," which produce containers from corrugated and solid fiberboard manufactured elsewhere and purchased by them in sheets.

Federated with the National Container Association are 12 regional associations; they also until recently were staffed and managed by Stevenson, Jordan & Harrison. The regional division of the industry was originally made on the basis of 14 zones, defined according to natural marketing areas, but two of the member associations disbanded during the period from 1935 to 1937, leaving a situation in 1938 of more zones than associations. Members of the regional groups may become members of the national association; some having more than one plant are members of more than one regional association, although each is restricted to one membership in the National association. Without regard to the duplications caused by firms holding memberships in more than one regional association, the following presentation of the National Container Association shows the extent of organization in 1938:

Association	Number of members	Percent of industry represented	
		By firms	By volume
National Container Association.....	111	45	60-65
New York State Container Association.....	18	70	80
Middle Atlantic Container Association.....	15	70	70-80
Allegheny Container Association.....	10	60	70
Ohio Container Association.....	17	45	50
Indiana Container Association.....	12	51	65
Michigan Container Association.....	10	40	33
Chicago Container Association.....	20	60	62
Piedmont Container Association.....	6	75	70
Southeastern Container Association.....	9	80	75
Southwestern Container Association.....	21	50	81
Northwestern Container Association.....	20	57	86
Pacific Coast Container Association.....	10	91	97

Most of the firms in the container industry serve local markets. The distribution of firms in the industry, according to degree of

localization, was reported in 1938 by the National Association as follows:

	Number	Percent of firms	Percent by volume
Companies, the bulk of whose business is delivered in 1 marketing area, i. e., local operators.....	201	83	37
Companies, the bulk of whose business is delivered in not to exceed 4 adjacent marketing areas, i. e., sectional operators.....	29	12	26
Companies whose deliveries fall in 3 or more of the large sectional areas, i. e., national operators.....	11	5	37

It appears from the association's list of regional and national members that all, or nearly all, the multiple-plant companies in the industry in 1938 were members of the National Container Association. This would indicate that the approximately 120 firms outside the association, producing about one-third the total industry volume, were almost exclusively local, one-plant companies.

The statistical program of the National Container Association had its origin in events preceding the formation of the regional bodies. In 1932 the industry retained Stevenson, Jordan & Harrison to make a national survey, as a preliminary to consideration of the practicality of the "Normal Volume Relationship" plan advocated by the management firm. The subsequent presentation of such a scheme for the entire industry met with a poor reception and the program was shelved. Some box makers in the Southwest, however, were impressed by the plan and gave it a trial. Operation of the plan in that area was successful, with the result that other groups solicited its sponsors and installed it. Within a year, 14 such regional groups had been established and federated in a Nation-wide trade association. The original intent of applying the scheme directly to the whole industry was revived, but after further study it was decided that there were actually "14 different industries and 14 different markets." Later, as has been noted above, two regional associations dissolved, some of their members becoming direct members of the National Container Association. The following summary of the statistical and accounting activities of the National Container Association and its regional affiliates applies to the period preceding August 1939, at which time the Department of Justice brought action against the industry on the ground that these activities were in restraint of trade.

At a meeting of December 9, 1936, at which progress in organization was reviewed, Mr. C. H. Ferris, secretary of the National Container Association and a partner in Stevenson, Jordan & Harrison, said:

It seems to me that we should once and for all clear up on our fundamentals. I would say we had five fundamentals that are now proven to be sound:

1. Our fundamental yardstick or the principle of recognition of Normal Volume Relationships.
2. Those Normal Volume Relationships, due to the character of our Industry, Producers, Customers, and Market, must be expressed by, and recognized by geographical competitive areas; approximately what we have today.

3. We have back of us a great deal of experience in established market data to tell us where the market [price level] is, based upon invoice analysis. I think it is overwhelmingly conclusive that this is an indispensable thing for us to have.

4. By taking the fundamental steps in invoice analysis and reversing them, we have a standard estimating method.

5. You can take those same principles and apply them to our costing and cost determination and we have those three things tied together. Cost is developed and expressed with the same set of principles used in analyzing our invoices to give our market level and finally you reverse them for estimating.

The first fundamental listed above, "Normal Volume Relationships," is the basic element of the Association's program. It is based on the belief that it is a farsighted business policy, a matter of ultimate self-interest, for a company to restrain its competition for the available business of the industry. Each producer acknowledges that, although his first object is to retain his relative position in the market, an absolute decline in his business is no warrant for desperate efforts to regain the loss at the expense of other members of the industry. By pointing out that individual efforts to achieve an advantage over competitors always tend to similar efforts on the part of those competitors, with the result that the intensified competition yields no profit to anyone, the Association has endeavored to impress members with the desirability of resting content with their customary portion of the total volume of shipments. In principle, such shares would remain stable, except as changes in capacities or number of producing units periodically required revision. The individual member's outlook is identified with the improvement of the industry's position vis-à-vis other industries.

A survey of the past record of volume of shipments of each company in each zone preceded the establishment of its "normal" relationship. This survey was made by Stevenson, Jordan & Harrison in 1932, covering the "historical experience" of each company in the three previous years. Considering the total volume of the companies participating in each zone as 100 percent, the percentage share for each company in each zone was computed. These percentages constituted the "normal relationship" of the individual companies. It appears that revised percentages were effective in 1938 on the basis of the industry's changing composition and experience after 1933. In the original computations ten firms on an industry-wide basis accounted for more than 55 percent of the total business of the participating companies, while the majority of the producers were budgeted at less than 2 percent each. Evidently, the maintenance of normal volume relationships depended to a large extent upon adherence to the principle by a relatively small number of large producers.

The observance by a company of its normal percentage requires that it currently be advised of its position in the market. The National Container Association reports that:

Twice a month the members of each regional association send to its headquarters office a report showing their deliveries into that marketing area for the half month period just passed. These records are in terms of square feet of surface area of the material entering into the boxes that have been shipped and delivered. This is shown separately for corrugated boxes and for solid fiber.

These figures from each of the members are combined to develop the totals for all members of the group in question. A report then goes to each member * * * showing the figures as a whole for the group in mimeographed record. The figures for the individual company are then typed in and go to the concern to whom the report is addressed.

From this report each company can see what its participation has been in the total consumption [shipments] of the group members for the current half month period and for the cumulative statistical period. This makes it possible for the individual member to see how its current participation compares with any historical background.

In addition to shipments in M square feet, which the National Container Association also issues in consolidated form, the various regional offices collect and disseminate statistics on shipments by types and sizes of product. The relation of the individual companies to the group total is always indicated, and trends are shown by comparisons with data for previous periods.

The statistics on shipments which are collected, analyzed, and reported by the regional associations and the National Container Association serve a dual purpose in carrying out the Stevenson Plan. Not only do they provide a check on the maintenance of each company's sales volume in conformity with that percentage of the total volume which it has recognized as its "normal" share of the industry's business on the basis of the "historical record," but they also associate data on value with that on quantities of shipments, and thus provide information on price levels. Since, however, the average value per M square feet affords only a crude approximation of the market level for the diversified industry products, the association supplements this with a more elaborate technique known as "invoice analysis." This technique has been described by the national association as follows:

Each company sends in to the regional office each period copies of invoices covering deliveries made in that area for the preceding period. These invoices are analyzed so that all sales can be reduced to a common denominator. The totals for each company are combined,—separated, however, to show spot business in one category, and contract business in another. The figures for all members are then combined to show the averages for the group as a whole. In this way each company can see very definitely how its own market level in terms of price realization compares with that of the group as a whole in the marketing area involved.

It is because the products of the container industry are diverse and in large part made to specification that the identification of price levels is difficult. This difficulty of providing a basis for price comparison also suggests a difficulty that each member of the industry faces in estimating his costs on the particular combination of materials and operations involved in filling each order. The trade association enters the picture at this point with a standard cost-estimating system, which it has developed and recommended to the industry. Not all the members use this system, but whether they do or not their invoices, upon receipt at the regional association office, are analyzed on the basis of the standard estimates. It is in this way that the sales realization indicated on each invoice is reduced to a common denominator which permits the comparison of members' prices. Thus, a single system affords the individual member a basis for estimating costs and setting prices, and the Association a basis for comparing prices among members and individual member prices with estimated costs. The system adds to the "normal" volume relationships a known relationship between each member's prices and the prices of his market rivals and a costing method directed at the establishment of prices sufficient to assure profitable operation.

The technique of estimating costs and identifying prices involves the use of the concept of a "basic unit" of production. This is the com-

mon denominator in terms of which the constantly changing combinations of materials and services required in manufacturing for particular orders can be evaluated and compared. What the management firm did, it explains, was:

* * * to establish formulas for the determination of box blank areas, and to express in the form of differentials above or below the cost of a 175-lb. test, plain, taped, regular slotted container, delivered locally, the *variations* in cost of all other combinations of material, styles, sizes, quantities, and methods of delivery.

These differentials are assigned fixed equivalents in dollars and cents and are used in conjunction with the cost of the basic unit. In applying the cost estimating system, the manufacturer selects from the listed differentials those applying to the order at hand and adds them to or subtracts them from his own basic-unit cost to determine the total cost of filling the order. Through "invoice analysis" the staff of the regional association calculates the listed values of the differentials involved in the shipment reported, subtracts them from (or adds them to) the price charged, and thus arrives at the manufacturers sales realization in terms of the hypothetical basic unit of production.

The cost of the basic unit to the individual company comprises the following items: (a) the current market, or replacement, cost of materials per M square feet; (b) that part of the conversion cost that varies according to the area, or size, of the containers—composed of the M-square-feet cost of raw-stock storage and handling, corrugating, bundling, shipping, and that portion of the box-making cost that varies with the size of the container and therefore is chargeable on a per M-square-foot basis; (c) the charge for local delivery per M square feet; and (d) allowances for return of merchandise, discounts, credit losses, "and other items which, if not allowed for, constitute deductions from profit." To this basic cost the association recommends that a profit be added.

Two alternative methods are suggested to members for computing the basic-unit cost. One requires the development of product costs by types and sizes, described by the Association as "rather tedious and somewhat expensive," based on cost accounting principles, which are not fully developed by the Association; the other, "a quick and easy method," recommended for adoption by every manufacturer in the industry. The latter method provides that monthly the manufacturer (a) determine his total actual operating expenditures for materials, conversion, delivery, and tape; (b) on the basis of a system of "production analysis" recommended by the Association, accumulate the differentials and factors applicable to these elements for the month's business; (c) deduct (or add) the differentials and factors, so determined, from (or to) the total, actual costs. The remainder is the total basic cost, which is reduced to the basic unit by dividing by the M square feet of business transacted during the month. This method, it will readily be seen, does not require the application of cost accounting principles to particular types of product; the cost of the basis unit is determined simply by applying uniform differentials and factors worked out by the association to the firm's general accounting experience. Having established this cost, the manufacturer can determine whether the basic-unit cost

which he used during the period for the purpose of pricing provided a loss or profit and can then make the appropriate price adjustments on future business.

The uniform differentials and factors developed by the association to be applied to the basic-unit cost to arrive at the cost of any order include:

(a) *Board differentials.*—To be applied in determining the material cost for grades of material other than the basic grade. According to the Association, these "were prepared by computing the differences in the market price per M square feet of the various materials, including manufacturing waste, above or below the market price of the materials used in the production of 175-lb.-test board." These differentials are subject to revision to reflect changes in the current market price of materials.

(b) *Conversion differentials.*—To be applied in determining for the various styles of containers (1) the "set-up," or "make-ready" factor, incurred on every order, regardless of number of pieces or area of the container; (2) the "running" factor, which covers that portion of the total conversion cost that varies according to the number of pieces but not the area of the container (e. g., slotting and taping); and (3) the "area differential," the difference between the area costs of the various styles of products and the standard, or basic, container. "Area costs" are those costs that vary with the total area of the containers ordered and include raw-stock storage and handling, corrugating, bundling, shipping, and that portion of the box-making cost that varies with the area of the container. The basis for the various conversion factors and differentials was described by the association as follows:

"Previously compiled product costs made it possible, through a careful survey of the costs of 16 companies over the first seven or eight months of 1933, to compile representative costs by departmental operations. The next step was to translate these into the costs of various styles of containers, and finally to reduce these costs to formulas wherein certain elements were fixed and equally applicable to all manufacturers, while other elements were variable and necessarily different for each manufacturer."

(c) *Tape factors.*—To be applied to cover the cost of tape consumed in manufacture. These factors, according to the Association, were readily established from the market prices and are subject to revision to reflect changes in the market prices of tape.

(d) *Delivery factors.*—To be applied to other than local deliveries, that is, delivery charges in towns or cities other than those in which a container manufacturing plant is located. The delivery factors, the Association states, are governed primarily by the cost of the competing container manufacturer closest to the point of delivery; they are flat amounts for carload delivery and for less-than-carlot delivery.

Just as the individual manufacturers can determine their basic-unit costs by applying the differentials and factors to their ledger experience, so can the regional associations, on receiving copies of invoices, determine the manufacturers' basic-unit-sales-realization. Being uniform and expressed in dollar values for any product described in the invoice, the differentials and factors may be applied to the invoice value to establish the basic-sales-realization on any shipment. This procedure makes it possible to compare the prices received by the various manufacturers in transactions involving any type of container and is one which the associations have employed in lieu of a system of open price filing.

The regional associations report, usually at semimonthly intervals, to members their basic-unit price levels, on the basis of sales realization as determined by invoice analysis, on "spot," "contract," and total business. From these data the individual company can compare its own with the group's experience. In addition, some, at least, of the regional associations have shown on their releases the basic sales realization of every company in the group, the companies being designated by name or by key letter. From the data compiled by the

regional associations, the National Container Association has developed price trends for the entire industry and comparisons of price levels in the various zones.

That the statistical and accounting activities described above were designed to encourage voluntary restraint in competition has been acknowledged by the management firm. Upon these activities, however, two somewhat varying interpretations have been placed. The one proclaimed by the association is that of providing information for the intelligent conduct of each company's business, with the decision concerning the course indicated by the statistics and the cost estimating method left in the hands of the individual company's management. Action by the members in a common direction is attributed to their convictions that their welfare lies along that line. Sharing of business is voluntary, as is adoption of the uniform method of costing and pricing.

The other interpretation is that of the Department of Justice as set forth in an indictment of August 9, 1939, naming the National Container Association and its member associations, the Stevenson Corporation, certain members of that firm, and a number of members of the industry. According to this indictment, the association members agreed to accept and adhere to assigned quotas, established on the basis of the relative volume of business transacted by each during the "normal," or "base," period. The association members further agreed to furnish periodically to the regional associations shipment and delivery reports, "for the purpose, among others, of enabling Stevenson, Jordan & Harrison to supervise the association-members to determine whether the association-members were in fact adhering to the said predetermined assigned quotas." In further pursuance of this conspiracy, it was alleged, the staff of the associations and the Stevenson firm prepared statistical releases and graphs that reflected any "substantial variations between a member's current deliveries and its predetermined assigned quota"; held meetings at which the members were constantly impressed with "the necessity and desirability of adhering to their proportion of the total deliveries" and of curtailing deliveries when they exceeded "to any great extent" the assigned quota; maintained traveling auditors, who made periodic, detailed audits of the members' books for the purpose, among others, of determining the accuracy of the reported statistics, of promoting generally the "Equitable Sharing of Available Business," and of calling "to the attention of any association-member any substantial variation between its actual volume and its predetermined assigned quota." It was further alleged that the members from time to time filed with their respective regional association memoranda to the effect that they had obtained contracts or orders from certain customers, information that was disseminated "with the understanding that other association members would not compete for the business of those customers."

It also was alleged in the indictment that the defendants had fixed and maintained "arbitrary and noncompetitive prices" for shipping containers through fixing and agreeing on cost factors and differentials, embodied in an estimating manual, which did not in fact "represent actual costs of any member"; and through invoice analysis, which was used for the purpose, among others, of "supervising the association-members to determine whether said association-members used the Industry Estimating Manual and its formulas, factors, and differen-

tials in estimating and establishing selling prices of shipping containers." As in the case of the alleged quota agreement, it was stated that the Stevenson firm and the staff of the respondent associations through meetings, field auditors, and statistical releases engaged in continual efforts to promote and persuade members to abide by the established price levels.

Whatever may be the facts with respect to the allegations summarized above, on April 23, 1940, the defendants accepted a consent decree,⁴⁸ which enjoined and restrained them from agreeing, combining, or conspiring—

(a) To limit production of corrugated or solid fiber shipping containers to predetermined quotas;

(b) To formulate, promote, or take part in any plan for prorationing of business, or the equitable sharing of available business, the purpose or effect of which is to limit the production of such containers to such quotas;

(c) To determine the volume of business of manufacturers of such containers for any period or periods for the purpose of establishing such quotas;

(d) To collect, compile, or compare data respecting production, sales, orders, shipments, or deliveries of such containers for the purpose of determining whether manufacturers of such containers have adhered to, or are adhering to, such quotas;

(e) To distribute production, shipment, or price data in such form as to indicate that a manufacturer of such containers is or is not adhering to any such quota;

(f) To present or discuss, at meetings of manufacturers of such containers, or elsewhere, or by correspondence or otherwise, production, shipment, or price data in such form or manner as to indicate that a manufacturer of such containers has exceeded any such quota, or that it should limit present or future production so as to come within any such quota;

(g) To examine or audit the production, shipment, or price records or accounts of manufacturers of such containers for the purpose of securing adherence to any such quota;

(h) To allocate, or to refrain from soliciting, customers of manufacturers of such containers, or to allocate markets or marketing territories among the several manufacturers of such containers;

(i) To fix or maintain prices for such containers;

(j) To use, or to promote the use of, an estimating manual, or any other handbook or device, for the purpose of fixing or maintaining the prices of such containers;

(k) To use, or to promote the use of, predetermined prices for materials, manufacturing operations, or delivery in

(1) Estimating or pricing such containers, or

(2) Analyzing production, price, sales, order, shipment, or delivery data of manufacturers of such containers for the purpose of fixing or maintaining the prices thereof of two or more manufacturers;

(l) To examine or audit the production, shipment, or price records or accounts of manufacturers of such containers for the purpose of fixing or maintaining the prices of such containers;

(m) To compel a manufacturer of such containers

(1) To submit copies of invoices to a trade association or like agency, or

(2) To name or identify any customer account in connection with the submission of invoices to such trade association or agency;

(n) To authorize a trade association or like agency to disclose customer invoices (or data as to individual transactions with customers), which have been submitted by a manufacturer of such containers to such trade association or agency, to a competitor of such manufacturer.

This decree is notable in that it specifies certain practices that are not affected by the above limitations. The reason for this is stated by the Department of Justice to be that of defining "a number of trade-association activities and in particular those relating to the gathering and dissemination of trade statistics which do not appear to be ques-

⁴⁸ The indictment, however, was not dismissed as to the Stevenson Corporation and the individual defendants associated therewith.

tionable under the Federal antitrust laws. Therefore, it should be of assistance in enabling trade associations to define the area for lawful action."⁴⁹ The decree states:

Nothing contained in this decree limits the right of said defendants, their successors, members, directors, officers, agents, and employees, and all persons acting under, through, or for them, or any of them, to do, or to cooperate in doing, any act, or to engage in any practice, not enjoined by this decree, including but not limited to the following:

(a) gathering, auditing, and disseminating information as to the cost of manufacture of corrugated and solid fiber containers, the volume of production and shipment, the actual price (or base price derived from actual price) which the product has brought in past transactions, stocks of merchandise and materials on hand, approximate cost of transportation, and any other facts pertaining to the condition or operation of the industry, and meeting to discuss such information and statistics without, however, reaching or attempting to reach any agreement or any concerted action with respect to prices or production of such containers;

(b) promoting the application of uniform cost accounting to the manufacturing, estimating, and sales policies and practices of manufacturers of such containers;

(c) compiling, publishing, and circulating, in the form of a currently revised loose-leaf industry manual, handbook, or otherwise, recommended formulas, methods, systems, or procedures, and illustrations thereof, for the computation of selling prices of such containers without, however, in any such industry manual or handbook, specifying or recommending the selling price to be charged for any such containers, the price to be charged for freight or any manufacturing operation or material used in the manufacture of such containers, or rate of profit to be included by any manufacturer in the selling price of any such containers;

(d) compiling, publishing, and circulating, in any form, current data as to the cost of the materials, operations, and other elements that go into the manufacture, sale, and delivery of such containers, provided, however, that such cost data shall not consist exclusively of average (or weighted average) costs of two or more manufacturers and that the cost of any individual manufacturer shall not be so identified by name or otherwise in any trade association publication as to be made known to its competitors;

(e) exchanging information as to—

(1) credit, and

(2) specific current contracts for the sale of such containers for the sole purpose of avoiding interference with such contracts.

Nothing contained in this decree limits the right of a defendant to issue and circulate lists of current prices charged for its corrugated or solid fiber containers provided such lists are made available to the trade and competitors.

Nothing contained in this decree shall apply to—

(a) any agreement between—

(1) a manufacturer of such containers and its subsidiaries,

(2) a manufacturer and companies associated through common ownership or operating management, or

(3) the subsidiaries of any such manufacturer;

(b) the conduct of the individual business of any defendant;

(c) manufacture other than the fabrication of shipping containers out of corrugated or solid fiber board;

(d) operations or activities of the defendants outside the United States, its Territories, and the District of Columbia, or to their operations or activities within the United States, its Territories, and the District of Columbia, which relate exclusively to foreign countries;

(e) agreements or arrangements permitted by Section 1 of the Sherman Act as amended by the Act of August 17, 1937, commonly called the Miller-Tydings Act, or by the patent laws.

Subsequent to the above decision the National Container Association has been reorganized and its program of activities revised. The national association and regional affiliates state that since the entry of the consent decree the method of operation of the National Con-

⁴⁹ Department of Justice release, "Decree Presented In Antitrust Case Against National Container Association," April 20, 1940.

tainer Association and the affiliated associations does not permit of equitable sharing of available business, prorationing of business, the maintenance of positions and quotas, or any other activities of which the Department of Justice had disapproved.

STATISTICS OF THE ENVELOPE MANUFACTURERS ASSOCIATION

The use of statistics in the envelope industry has, at least since the N. R. A., centered around an effort to promote a recognition by the members of the principle of voluntary sharing of available business. Difficulties arising out of diverse distribution methods existing within the industry, however, have interfered with the successful operation of this program and, it is believed, led to the partial disintegration of the Envelope Manufacturers Association of America about the middle of 1938. The following summary of the statistical activities of the association since 1933 suggests that the statistical program itself may have helped to precipitate the break that took place in June 1938, when two of the largest members resigned from the association.

The industry has approximately 170 members—in the main comprising 2 groups, one of manufacturers selling through distributors and the other of manufacturers selling direct to large consumers. Further divisions of interest exist between the large and the small members of the industry and between those located in the various regions. The United States Envelope Co., of Springfield, Mass., is the dominant company and in the past has been the acknowledged price leader in the industry. It distributes largely through jobbers. The Western Envelope Co., of Kansas City, Mo., is the largest manufacturer selling direct to consumers. The constitution of the association, as revised in May 1936, provided that the executive committee be composed of a representative from each of 8 regional zones and 3 members at large but required that 3 of these members be representative of companies engaged in sales through wholesalers and 5, representative of companies engaged primarily in direct sales to the consumer. The constitution provided for the voluntary submission of reports and statistics and guaranteed the confidential character of reports submitted. The association is managed by the firm of Stevenson, Jordan & Harrison.

Under the N. R. A. code, efforts to stabilize the industry centered around the use of open price filing and trade statistics to reconcile the differences in marketing methods of the two manufacturing groups, together with machine-hour limitation to care for the excess capacity in the industry. Recent tendencies in the industry had been for consumer manufacturers to lower prices on direct sales to consumers, thereby cutting into the sale of jobbers and lowering prices at the consumer level. A compromise plan of stabilization, intended to insure the cooperation of both groups of manufacturers, was devised, by which standard trade differentials to the various classes of distributors and consumers would be maintained.

The mandatory customer classification and zoning requirements asked for under the code were not approved but were successfully introduced under the price filing rules established by the code authority. This price filing plan facilitated a system of price leadership

already prevalent in the industry, the observance of fixed differentials between customer classes, and a consequent stabilization of envelope prices.

The budget plan of operation set up in connection with the price filing plan was intended to disclose—and presumably to prevent—any shifting of volume that might result from the stabilized price relationships established under the price filing plan. The basis of this budget plan was a series of volume of production reports furnished by the members for the 3 years 1931, 1932, and 1933. From these reports there was established a distribution of industry volume in terms of volume of envelopes shipped, volume produced, and dollar value of sales. Beginning with January 1934 regular monthly reports were to be submitted to the association. The purpose of the volume statistics was set forth in Code Authority Bulletin, No. 28, issued July 19, 1934:

Members will receive real benefits from these statistics. The figures submitted will be compiled into composite totals for the whole industry. Reports showing these totals for the whole industry will be furnished to every member of the industry. Each member will then have before him a clear picture of the state of the industry, the general level of volume prevailing for the month just ended and as compared with previous months and previous years. * * *

Each member of the Envelope Industry quite rightly feels that he has a definite place in the Industry. From these statistics, as they will be transmitted to all members, each individual manufacturer may determine what share of the total industry volume of business he has had in the past, and what share he is currently getting.

The relationship of these volume statistics to the open price filing scheme was made explicit:

Your Code Authority has repeatedly endorsed the principle that the administration of the Code and of the Open Price Plan of selling shall not be allowed to result in any major shift of volume from one section of the Industry to another, from one class of plants to another, or from one channel of trade to another. The statistics called for on Form E-11 and Form E-12 are quite necessary to enable the Secretary to report to the Code Authority whether at any time such a shift of volume of business is occurring. The Secretary will also be enabled to consult in confidence with individual members with respect to any apparent shift of the volume from which they may be suffering.

Without such statistics as these volume reports will provide, an individual manufacturer can never be sure whether a falling off in volume in his own business is merely due to a general falling off of envelope business at large or whether it represents an actual slump in the relative volume of business enjoyed by his own company.

These volume statistics will contribute materially to the success of our Open Price Plan and to the general stability of the Industry. They are likely to become the most valuable mechanism which we will have for intelligent planning and intelligent management of the industry along profitable lines.

The first composite report based on the volume statistics was made at a meeting of the Envelope Code Authority on September 24, 1934. This report covered 93 members of the industry, estimated to represent from 85 to 90 percent of the total volume of production; each member was supplied with percentage figures for his own individual company. The volume data for each of the first 8 months of 1934 were expressed as a percentage of normal volume, that is, the average monthly total of production for the 3-year period, 1931, 1932, and 1933. Individual company figures showed the company's current volume in relation to its own normal or past average, so that it was possible to trace the relationship of the individual company's business trend to that of the industry as a whole and note whether the two ran parallel or diverged.

Members of the code authority present at this meeting of September 24, 1934, agreed to disclose the percentage relationships for their individual companies as a means for testing the results of the price filing plan to date. Comparisons were made, not only of individual company percentages, but also of the percentage trends for various regional groups and for groups representing various methods of marketing. These comparisons revealed that jobber plants, as a group, had a volume position for the first 8 months of 1934 lower in relation to normal than the volume for the industry at large, whereas consumer plants and local trade plants showed a volume higher in relation to normal than the average for the industry. At this meeting it was voted to prepare a further break-down of the composite reports for several groupings of manufacturers according to classes of trade. Members of the industry were definitely classified in one of the following five marketing groups, as well as in one of eight geographical reporting areas:

Jobber plants—firms which sell chiefly to wholesale merchants or wholesale envelope merchants;

Paper merchants plants—paper merchants who own and operate envelope plants;

Stationery and tablet plants—firms which are members of the Paper Stationery and Tablet Manufacturing Industry;

Trade plants—firms which sell principally to distributors other than wholesale distributors and not extensively to consumers; and

Consumer plants—firms which sell principally direct to consumers.

Available records for subsequent months are not complete enough to trace in detail the experience of the individual members under the price filing plan in maintaining their normal volume position in the market. However, the minutes of code authority meetings contain numerous references to the percentage reports and to revisions of the classes of trade, revisions presumably necessitated by the shifts in volume disclosed by the statistical reports. Thus, in November 1934, a new composite volume report showing the relative position of large, medium-sized, and small plants was considered by the code authority. The figures indicated that small and medium-sized plants had, since the effective date of the code, secured a larger proportion of the available business than they had received during the previous 3 years and that large plants had suffered a corresponding decline in volume.

Whether or not these shifts in normal volume relationship were partially responsible, the code authority early began to experience difficulties with the enforcement of the open price plan established under the code. The plan itself, as elaborated by code-authority regulations, involved the maintenance of mandatory price differentials to the different customer classes and for different zones. Violations of these requirements by some members evidently nullified any attempts at systematic adjustment of the prices filed by leading manufacturers to preserve the existing volume relationships. As a result of the violations, members complying with the plan were faced with the loss of some of their established business. To meet this situation, it was voted at a meeting in November 1934 to allow members "in defense of business from their established customers or from established customers of their distributors" to depart from their filed prices and meet bona fide known competitive prices. The

administrative agency was to be notified immediately of all such transactions.

The difficulties encountered in the operation of the open price plan were due in part to the action of the N. R. A. forbidding the use of mandatory customer classifications under open price plans. This action was taken on July 30, 1934, with the issuance of office memorandum No. 267. The code authority endeavored to maintain such classifications until April 1935, when an assistant deputy of the N. R. A. Paper Division disapproved the bulletin setting forth the defined classes of trade. Almost simultaneously with this action, the code authority voted to stay the open price plan in the industry.

At the annual meeting of the Envelope Manufacturers Association in May 1935, immediately preceding the Supreme Court decision invalidating the N. R. A., the chairman of the executive committee (Mr. E. V. Johnson, president of the United States Envelope Co.) discussed the failure of the open price plan, indicating that it had offered a definite tangible return through stabilization of the market and suggesting that statistics might offer the same possibilities if manufacturers operate "intelligently." Mr. Stevenson, of the Stevenson, Jordan & Harrison firm, and Mr. W. W. Pickard, former deputy administrator of the N. R. A. Paper Division, then coordinator of the various branches of the paper industry, also discussed the breakdown of the industry's code-control provisions and its causes and suggested various alternatives faced by the association. These suggestions ranged from the complete termination of all activities to the maintenance of the then existing organization, including the national office, zone organization, and field secretaries. The association voted at this time to continue the existing organization with all activities to be confined strictly within legal limits and with a free interchange of market information on closed transactions. There is nothing to suggest that the members of the association subsequently entered into any agreement concerning price or production policies.

Continuance of the statistical program during the subsequent year was indicated by the presentation at the annual meeting in May 1936, of volume statistics, graphic charts, and other data covering industry operations. A major conclusion drawn by the commentator interpreting the statistical exhibits was that the composite balance sheet and operating statements indicated that large members don't have a necessary advantage—that small operations with stabilized volume may be a better investment. At this meeting, Mr. Stevenson cited the diverse distribution methods and the excess productive capacity as forces within the industry working against the maintenance of a stable market. He reviewed the available approaches to the problem, stressing particularly open price filing and the independent and voluntary equitable sharing of available business. He indicated that for neither of these programs was it possible to obtain adequate support from association members, because losses in the industry had not been severe enough to impel the necessary degree of independent self-restraint. The volume reports maintained by the association, however, were stressed as being useful in discouraging ruthless expansion of volume. Adoption of an open price filing plan was voted down by the association members at this meeting, and it was suggested that attempts be made to develop cost statistics and to

develop the "exchange of more facts with respect to market conditions in local trading areas."

At the next annual meeting, held in April 1937, the volume statistics and graphic charts were again discussed; they reflected a more favorable industry situation than had existed in the two preceding years. A sharp rise in the volume curve and a reversal upward of the price trend were noted, and it was reported that there had been less shifting of business in 1936 as between the marketing groups within the industry. Financial composite statements for the year were discussed, members participating in the study being given special copies of the exhibits containing certain items, "such as actual amount or percentage of net profit," which were omitted from the regular reports in conformance with "the policy of not giving general circulation or publication of such facts in printed form." The minutes of this meeting indicate that similar financial reports had been made over a period of several years. The 1936 report covered 39 companies, representing one-third of the industry's total sales in 1936. A special comparison was made of 1935 and 1936 data for identical plants, including a break-down between jobber and consumer plants. The minutes do not indicate the results of this particular comparison nor of a further comparison mentioned between high- and low-profit companies in the consumer group. There was a general comment, however, to the effect that—

the deficiency in the net profit earned by certain groups could be traced almost wholly to inadequate selling prices rather than to any particular excess of expenditures.

A summary analysis of industry statistics, presented at this annual meeting, revealed that jobber plants had been losing volume since 1931 to consumer plants. Production of "jobber" plants had declined over the 7-year period in volume from 47.01 to 41.64 percent of total industry production and in dollar value, from 40.02 to 35.63 percent of the industry total. "Consumer" plants had, over the same period, increased their share of total volume from 38.63 to 41.58 percent and their share in total value from 45.82 to 49.07 percent. Sharing with the jobber plants the relative loss of volume over this period were the "paper merchant," "stationery," and "trade" plants, which in 1936 accounted for approximately 17 percent of the total production volume. Mr. Stevenson, in his annual review of recent marketing trends, made a guarded forecast of future conditions in the industry. He acknowledged once more that the members of the envelope industry were not ready to accept the principle of voluntary restraint in the market. He referred to the expressed policy of the association to the effect that envelopes should be sold in accordance with openly published price lists. It was announced that a considerable number had recently adopted such lists.

The volume trends discussed at the next annual meeting, in April 1938, showed declines in production and sales since the summer months of 1937. Minutes of this meeting give the first clear indication of association difficulties. The firm of Stevenson, Jordan & Harrison indicated its readiness to reduce the management fee and place it on a contingent basis. Mr. Stevenson, in addition to his regular forecast, participated in a general review of the association's functions and responsibilities. Referring once more to possible bases

for coordinating the production and marketing practices of the industry he stated that:

It had not been found possible to secure the formal support of as much as 80 percent of the industry's capacity for any single plan, nor had any of the procedures followed by other industries been deemed applicable to the envelope industry.

Mr. Stevenson expressed the belief that even if the association did not formally sponsor the "planned production" philosophy, he believed the principles could profitably be adopted individually. A memorandum distributed to the membership with General Letter No. 104 evidently set forth the basis for such an application of the principle. The purpose of this memorandum, entitled "Planned Production for Envelope Manufacturers," was—

to show how any member who receives the monthly Composite Volume Reports and the monthly forecasts of envelope production from the Association office can use the figures thus made available to forecast a month or two ahead volume of orders and volume of shipments for his own company.

Use of two simple working forms was advocated: a daily register and forecast of orders received and a daily register and forecast of shipments. In explaining the philosophy behind the procedure, it was pointed out that—

the flow of incoming orders in a typical envelope sales department may be so irregular as to create a false impression in the minds of the management unless a constant check is maintained which will show whether the company is or is not actually maintaining its normal volume ratio to the total production of the industry on a cumulative basis for the month to date or for the year to date. Where such a daily check is maintained haphazard and inconsistent selling practices can be eliminated.

Events subsequent to the 1938 annual meeting cannot be spelled out in detail from the available records, but the schedule returned by the association in the fall of that year records the fact that 2 of the 4 largest members of the association resigned from membership as of June 1, 1938. One of these two was the United States Envelope Co., the dominant jobber manufacturer and the largest producer in the industry. As of July 1, 1938, total membership of the association numbered 72, as compared with 90 during 1937 and approximately 120 during the N. R. A. period. These 72 members represented only 42 percent of the total number of firms in the industry and 41 percent of the volume. They did not include the 3 largest members and were not fully representative of the different geographic areas. The representation was reported to be low for New England, New York City, Chicago, and the Southeastern Seaboard.

The decrease in industry representation led to various revisions of the association's statistical activities. The zone organization was altered to provide for only four geographic areas, with separate composite volume reports prepared for each. Members received figures only for those zones within which their own plants were located. Participation of nonmembers in reporting and receiving statistics on sales, production, and labor was discontinued, the service being limited to active association members. The composite volume report issued August 5, 1938, reflected the changed basis of reporting. Figures of nonmember companies previously reporting, as well as figures of nonmember companies that had been estimated, were omitted. The release sought to assure members that the significance of the volume reports

was unaffected by the changes made—that the new totals represented the more localized type of envelope manufacturers, such as consumer, trade, and merchant plants. The percentages of individual companies were, it was pointed out, naturally larger in the revised reports, because of the change in base from industry totals to association totals.

Aside from these various limitations, the statistical reports apparently retained approximately the same detail as before and added a new feature—the average value per thousand envelopes for total shipments and for individual companies. With respect to this last item the following warning was given:

No member should attach any significance to a comparison of his own company's value per M with the value per M shown for the Association totals. Such a comparison would only have meaning if it could be shown that the individual company's assortment of products were exactly the same as the general assortment of all products manufactured by the Association. The usefulness of the value per M index is to show the general *trend* of price levels from period to period.

This warning also was relevant to the use of such association price data as a measure of price movements in the industry. Apparent changes in the price level may mean only changes in the proportions of products of various types covered by the composite data.

The "Monthly Review and Forecast of Envelope Production," regularly issued by the association, likewise was adjusted after July 1, 1938, to include only association totals. Data referred to identical companies and indicated the percentage of change in volume from month to month with forecast figures for the ensuing 3 months to serve as a guide for normal production for the association and for the individual member. These "forecasts," it was asserted, did not reflect the personal judgment or opinion of the trade association executive or statistician preparing the releases but were derived mathematically from the past statistical records of the association. The actual reported production for the preceding 3-month period was adjusted by applying the proper seasonal factor to obtain the forecasted production for the next 3 months. The seasonal factors were derived from the actual reported monthly production for past years. The release of August 5, 1938, explained that "members who were using the planned production procedure for forecasting their individual company's daily orders and shipments" should apply their revised normal volume ratio to the association totals given in the same way that they had previously applied their former ratios to the industry totals.

Despite the difficulties encountered by the association in retaining the cooperation of certain members with respect to a comprehensive statistical program, the Envelope Manufacturers Association in 1938 cited the compilation of statistical material as of first importance among its activities. Listed as the main contributions of the association were the following services, in the order given:

Statistics on the volume and trend of production and sales covering both current and past periods and both national and regional areas of production, coupled with comparison (confidential to individual members only) of member's own sales volume trend to the industry trend.

Detailed labor statistics.

Standard methods of accounting, coupled with professional counsel in the installation of such methods and the practical use of figures resulting.

Composite financial statements—balance sheets, operating, profit and loss statements—representative of industry at large as well as of various types and kinds of establishments.

Counsel on interpretation and application of Federal laws.

Possible future contributions under existing law did not include specific references to statistical activities, but the suggestion was made that were it not for legal limitations it would be deemed desirable to require adherence of industry members to complete published price lists. Some doubt was expressed, however, whether voluntary majority support within the industry could be obtained for such price publicity.

CHAPTER VI

UNIFORM ACCOUNTING, COST STATISTICS AND STUDIES

Uniform accounting, as here treated, relates primarily to uniform cost accounting, although it also refers to provisions for uniformity in general accounting, such as for assets, liabilities, and profit and loss. While most trade associations that direct attention to uniform accounting stress uniformity in cost accounting, many provide for some degree of uniformity in general accounting as well, frequently for the purpose of facilitating the collection of balance sheet and profit-and-loss statistics, usually described as financial statistics. The term, "cost studies," in large part is synonymous with "cost statistics," since in most cases the study consists of the collection of cost data and the compilation and dissemination of these data in statistical form. There are, however, cases in which cost studies do not result in the dissemination of cost statistics; and some associations regularly collect and disseminate cost statistics, whereas others make only occasional studies.

One or more of the accounting activities above described constitute an important part of the programs of many trade associations. Forty-five percent of all national and regional trade associations that returned questionnaires¹ reported activity in these fields, and approximately 22 percent indicated a major degree of such activity. Relatively few of those that reported such activity confined themselves to uniform accounting, as is shown in the following tabulation:

*Percent of total number of associations reporting activity in the field
of accounting*

Type of accounting activity:	
Uniform accounting only.....	14
Uniform accounting, cost statistics and studies.....	50
Cost statistics and studies only.....	36
Total.....	100

Trade associations were early confronted with the problem of educating their members in accounting practice, and some associations, particularly in the graphic arts, were considering uniform accounting prior to 1900. Income-tax legislation and regulatory legislation affecting public utilities and banks contributed to the stimulation of interest in accounting, and governmental investigations of produc-

¹ Exclusive of associations in the field of insurance. See table 26. It is believed that the figure of 45 percent somewhat overstates the proportion of trade associations actively engaged in accounting work. In a sample check it was found that some trade association executives who reported had in mind work which previously undertaken had been abandoned. Conversely, a few failed to report a limited activity. Several reported cost studies that related, not to the cost of producing the article, but to the cost to the consumer of operation, installation, etc. These studies usually were made in connection with sales promotion programs.

tion costs during the period of the World War accentuated the interest and brought an increased emphasis on accounting practice. Cost accounting continued to receive increasing emphasis after 1920, and at the time of the enactment of the National Industrial Recovery Act many more trade associations had developed important accounting programs. Existing activities were stimulated by N. R. A., and many codes provided for uniform cost accounting systems where none had existed before. After the act was invalidated some associations discarded the systems developed during the code period, but a considerable number continued their use. It is probable that today trade associations are less active in the field of accounting than during the code period but more active than at any time preceding that period. Many trade associations that have not undertaken work in the field of accounting acknowledge its importance, and present programs looking to the initiation of such activity, or to the intensification of existing programs, suggest that cost accounting will continue to command an increasing share of trade association effort. Such recent legislation as the Robinson-Patman Act, the Fair Labor Standards Act, and State "fair-trade" and "unfair-practice" acts will undoubtedly accelerate the growth of uniform cost accounting.

UNIFORM ACCOUNTING

Although in the promotion of uniform accounting trade associations usually begin by developing a manual of accounting practice, uniformity in accounting technique sometimes is partially attained by indirection. One association has installed accounting systems for some 300 firms without issuing a manual to the members.² Several associations have achieved a large measure of uniform practice by the periodic collection and dissemination of cost statistics.³ It is probable that every sustained program of collecting and disseminating cost or financial statistics has contributed materially to uniformity. Cost-minded association executives have managed informally to spread uniform practice by encouraging discussions among their members or by making suggestions to individual members. Other activities also contribute to uniformity of practice. The collection of monthly statistics on inventories, for example, may lead to more uniform practice in keeping inventory accounts. Product standardization and simplification may make it practical to collect and disseminate cost statistics, which in turn lead to greater uniformity in accounting. The collection of labor statistics on an occupational basis may lead to the crystallization of the definition of direct and indirect labor, thus bringing uniformity of definition to these terms. Cost accounting relates itself to many other trade association activities, affecting them and in turn being affected by them.

General characteristics of accounting manuals.

Uniform accounting usually is approached through the instrumentality of the accounting manual. These manuals differ greatly in purpose and scope, but it may be fairly said that all of them, no mat-

² The accountants observed the same principles and methods in all installations, with the result that the system of each firm is similar to that of the others.

³ The forms upon which statistics are collected suggest to members the desirable manner of keeping certain accounts, and the discussion which accompanies the resulting cost study stimulates the general observance of certain accounting practices.

ter how great their simplicity, are designed to assist in the determination of cost, not merely to systematize accounting. Some manuals go no further than to provide for asset, profit and loss, and operating accounts. Operating accounts show the aggregates of each expense, such as labor and material, but in themselves do not provide the necessary detail for the accurate determination of cost as between sizes and grades of product, although in many cases they do provide a clue to the approximate costs of production where the manufacture is confined to one product in which variation in size or grade is not great. A number of manuals provide for both financial and cost accounting. Other manuals include only a cost accounting system. Most of the cost accounting systems confine their analysis to costs of production, treating the more difficult problems of distribution costs in a manner so general as to afford little guidance to the determination of distribution costs that vary between types of customers, markets, and products.

It is not always a matter of obtaining uniform practice that motivates the development of a manual. Often it is a recognition of the fact that many of the members have no accounting system at all or employ only the most rudimentary forms of accounting practice. Here the paramount desire is to educate the members to the use of any accounting device that will give them some concept of their cost in relation to the prices they charge and in some measure to stimulate their consciousness of inefficient practice in the operation of their business. The trade association cannot speak in a "various language" to its several members and consequently adopts a uniform manual as the vehicle of the program. Such manuals are frequently of the simplest form and often would not meet the minimum requirements of a professional cost accountant. As a substitute, however, for totally inadequate or nonexistent practice they go far. They are designed to achieve the greatest ease of installation and operation and frequently are accompanied by the forms that will constitute the books of account.

Where the desire for uniform practice is paramount, the trade association may develop a relatively elaborate manual for the larger firms in the industry and a simplified version for the smaller firms. This practice recognizes the varying capacity of the members to utilize an elaborate system and at the same time helps to educate the entire membership in the broad principles of uniformity recognized by the association as desirable. Sometimes the association brings to perfection a manual too intricate in the detail of its provisions and in the formal system of accounts to be widely employed. It may be adopted by large firms that have adequate accounting staffs, but its formidable character confuses, dismays, and often antagonizes the small member. Where originally the possibility of meeting the small member's needs was not foreseen and provided for, this oversight in some cases has been rectified later by the issuance of a simplified version of the original manual. In other instances the accounting program has languished for want of such an abridged edition.

A number of associations have developed manuals that are very comprehensive in their definition of costs and accounting principles but sufficiently flexible in their provisions for recording the data to enable a ready adaptation of the manual to the existing system of a large or small firm. Other associations have developed manuals that

merely describe the principles of accounting considered applicable to the industry and define the various constituents of cost. These manuals are frequently no more than reference books for the membership, the use of which it is hoped will lead to a more intelligent observance of accounting practice and possibly to a greater uniformity of method as well.

Some indication of the types of accounting systems in use is given by an analysis of the manuals of thirty associations,⁴ which may be classified as follows:

Classification:	Number
Simple accounting system sacrificing much detail in the interest of obtaining wide adoption-----	5
More or less elaborate system for large members and an abridged version for smaller members-----	9
Elaborate, nonflexible system, of use to large members, which fails to meet the need of small members-----	5
Elaborate system with sufficient flexibility to be readily adapted to existing systems of large members and easily utilized in part at least by small members-----	7
Handbook outlining desirable practice and defining elements of cost but proposing no system as such (of use to all members)-----	4

Inclusiveness of cost.

Most manuals make some provision for all the costs that are customarily included in the delivered cost of the product. Of the 30 manuals mentioned above none omitted provision for distribution and general administrative costs, although few of them provided for an adequate analysis of distribution costs. The failure of the manuals to treat distribution costs comprehensively may be largely attributed to the many difficulties that arise in formulating bases for the allocation of distribution costs and to doubt concerning what may be legally acceptable criteria for the determination of such costs in connection with the application and administration of the Robinson-Patman Act. Most trade associations in the field of manufacturing evidently have been content to emphasize production costs and to make certain only that distribution costs are added in terms of a composite or average cost of distribution. In some instances the traditional pattern of trade discounts and other terms of sale reflects a recognition of the difference in cost of servicing various classes of customers and is depended on to provide the necessary differentials. A number of manuals, moreover, fail to make a precise disposition of general administrative expense. The entire general expense is, of course, included in the total cost, but the methods prescribed for its inclusion frequently are not based on a thorough analysis of the services rendered by the general management.⁵

A number of manuals suggest items for inclusion in costs about which some question may be raised. Many associations unquestion-

⁴ For the most part this sample of associations was selected on the basis of known emphasis on cost work. Of the manuals selected, 25 cover manufacturing industries; 3, wholesale and retail trades; 1, a construction trade; and 1, a service trade. Those covering manufacturing industries are divided as follows: Iron and steel, 4; machinery, 3; textiles, 4; wearing apparel, 2; chemicals, 2; paper, 2; rubber, 1; electrical apparatus, 1; food processing, 3; and printing and publishing, 3. More than half of the manuals are revisions of earlier editions. The latest edition was used in the study. Of these editions, 4 were issued during the period 1925 to 1930; 13, 1931 to 1935; and 13, 1936 to 1939.

⁵ It should not be inferred from what has been said that a number of trade associations are not conscious of the need for more detailed treatment of general administrative and distribution costs. Among the manuals studied there were several that treated these subjects at considerable length.

ably are confronted with the problem of educating their members to the recognition of all the expense that must be recovered in the price before a profit mark-up can be added. Hence, they may include in the cost of the product items, such as interest paid, properly considered as financial expense, or items of an extraordinary character which ordinarily are not chargeable to costs of production or distribution, realizing that unless the label "cost" is appended to the item the member may disregard its existence altogether. Items regarding which the individual firm ordinarily would be expected to exercise its own judgment may be stipulated for inclusion in cost in order that the cost statistics emanating from the uniform system may be on a comparable basis. The following citation of debatable cost items is based on a study of 30 manuals. Although so limited a sample perhaps fails to cover every type of expense, real or hypothetical, that is sometimes included in cost, it probably does reveal the types most commonly encountered.

Interest.—Interest on investment or interest actually paid on borrowings has long been considered as part of cost by some in the accounting profession. The question of the correctness of such a view cannot be resolved here, but it should be pointed out that interest and profit easily assume a synonymity and that many are reluctant to conclude that interest constitutes a part of cost. Although most of the manuals examined excluded interest in every form, somewhat more than a third of them included this item in cost. One manual provides that:

Where a dealer owns the building which he occupies, there should be charged under Expense, as rent, taxes, insurance, maintenance, depreciation, etc., to which should be added an amount equal to interest on the value of the property.

Such stipulations are found most often where many of the firms rent the buildings which they occupy. The desire to place rental expense on a comparable basis has been given as the reason for the inclusion of such interest. Interest on borrowings is more often stipulated as a part of cost than is interest in any other form. Approximately half of the manuals providing for the inclusion of interest in cost stipulated interest paid on borrowed capital only. Only one manual provided that interest should be reduced by the amount of interest earned.

The charging to cost of interest calculated on a large part of or the entire investment was noted in only two cases. In a machine tool industry, interest apparently is computed at a rate of 6 per cent per annum on the land, buildings, equipment, and inventories at reproduction value, and on accounts receivable. The reason for charging interest to cost in this instance is stated as follows:

Due to the wide variation in values of equipment and facilities, it is recognized that by charging interest on necessary investment into normal burden, the burden will measure better the cost of tying up capital in equipment and also measure better the efficiency of the equipment used in different departments for different operations.

Respecting the computation of interest on the basis of reproduction (replacement) value, the manual states:

* * * the management preserves a true picture of actual costs of product in an economic plant built and equipped at current values, whether these be greater or less than the actual cost of acquisition.

A manual issued by an association in the textile industry provides that interest on the investment in buildings, machinery, and raw materials be included in costs at the rate of 6 percent per annum. It states its reasons as follows:

Believing that the continued operation of a manufacturing enterprise which persistently fails to return normal current rate of interest on investment is economically unsound, that an industry generally so situated could not attract new capital, and that investors are not justified in incurring the risks incident to the conduct of a manufacturing enterprise unless its returns exceed current interest rates, we have included in the Overhead Budget a charge for interest at 6 percent on the amount of capital normally required in the conduct of the business.⁶

The foregoing statements bring out reasons for the inclusion of interest in cost that have been accorded considerable support by the accounting profession. There is, however, by no means a wide acceptance of the proposition that interest is properly chargeable to cost, due not only to the conviction that interest is more closely related to profit than to cost but also to uncertainty concerning what the actual level of the "current interest rate" may be.

Depreciation on fully depreciated assets.—A few manuals were encountered in which provision was made for the continuation of the depreciation charge after the value of the asset in use was completely written off. One manual in the graphic arts industry provides that:

Depreciation expense shall be charged as an element of cost even though the allowance for depreciation account indicates that an amount equal to the amount shown in the related fixed asset account has been provided.

Another manual now in use, prepared in 1934 for the code authority of a knit goods industry, stipulates that:

Plant and/or equipment which has become fully depreciated through the use of rates which were too high or in excess of the rates which may be established from time to time by the Code Authority, will not be free from further depreciation. Such plant and/or equipment will continue to be depreciated at the proper rates, for the remainder of its useful life.

The motive in the above cases probably was to effect a revaluation of plant in order to secure a more current basis for computing depreciation and to obtain a greater uniformity in the depreciation charge. It is a practice, however, that many accountants would question, particularly if it is not recognized that the existence of a depreciation rate so high that it has prematurely accounted for the full value of the asset indicates that rates on other plant and equipment may also be too high. The manuals in question are silent on this point.

Discounts.—This item refers to cash and trade discounts. The usual practice in accounting for cash discounts is to treat them as nonoperating income or expense rather than to include them in the cost of production and distribution. This simplifies the problem of accounting for them; it also recognizes their close relation to financial income and expense, for the ability of a firm to take cash discounts on its purchases is limited by its financial resources and these are in turn limited in part by the promptness with which its customers pay their bills. As to trade discounts on purchases, the usual practice is

⁶ The same manual goes on to say: "As interest on investment is not a deductible expense when computing Federal Income Tax, it is obvious that a final cost figure designed to include a return of a certain rate of interest, will not actually do so unless it also provides for the Federal Tax so incurred. No such provision has been made herein, owing to the practical difficulties involved, hence in using figures developed in a similar manner the mill executive should keep this contingency in mind."

to exclude them from cost thus charging materials into cost at the net and not the gross price. Trade discounts on sales usually are reflected in the sales account as a deduction from gross sales.

Most of the manuals follow the above practices. The following exceptions were noted: Two manuals provide that cash discounts paid should be included in cost and that cash discounts received should be treated as nonoperating income, that is, not credited as a reduction of cost. One manual provides that the difference between cash discounts paid and cash discounts received be charged to cost, a practice that appears somewhat less debatable, because it has the effect of recognizing discounts earned as a credit to costs while charging discounts paid to costs. Respecting the inclusion of trade discounts in costs, one manual provides for inclusion of material at the gross price, which includes a trade discount, apparently of 10 percent, with the following explanation:

We hear much discussion about the need of discounts for a cushion. If you expect your discount earnings to cover *any* expense it no longer is a cushion. It remains a cushion when it reasonably takes care of a very unusual and unforeseen condition. This plan makes it a potential profit to add to the five % already calculated. Do not consider it a cushion and use it to cover any item of regular expense. Be sure to use the gross (regular) price in your calculations.⁷

It will readily be recognized that such an inclusion of discount confuses profit with cost. The admonition appears to be motivated by the desire to attain a profit sufficiently great to provide a reserve that "reasonably takes care of a very unusual and unforeseen condition," to which, it may be said, probably few members of the association have directed any attention.

Income taxes.—Income taxes constituting as they do a levy on the profits of business are not ordinarily considered a part of cost. Only one of the manuals examined provides that such taxes be included in cost. Another association provides for the inclusion of income taxes in a price estimating formula. The estimated price includes the cost to which is added a mark-up adjusted to include the income tax on the desired rate of profit. Thus, for example, if the profit desired is 10 percent, the mark-up will be, say, 11.3 percent.

Although not often provided for in accounting manuals, the income tax is a subject that not infrequently is associated with cost. Thus, under the caption of "Increasing Costs" a release of one association asked:

Have you considered, in figuring costs, the new taxes under the Federal and State social-security laws? Have you considered the increased corporation and profits taxes, both Federal and State? Have you considered labor and material costs? They are factors which all manufacturers should consider.

What is probably meant by the above is that all the items mentioned should be considered in the calculation of price; but price and cost being used as interchangeable terms, it is inferred that "cost" includes not only all the elements of cost but also profit and tax on profit. Carried into cost accounting this confusion obviously generalizes costs and the concept of cost to a degree that robs them of much of their value as measures of operating efficiency.

General comment on inclusiveness of costs.—A number of manuals fail to define completely what shall be included in those items of ex-

⁷This is a rather simple accounting and cost estimating system addressed largely to members who accounting-wise are relatively uninformed.

pense that are widely accepted as components of cost. For example, most manuals stipulate legal expense as an inclusion in administrative expense. If extraordinary legal expense is incurred that is not incident to the normal conduct of the business, it is questionable whether it should be included as a charge to cost. It is probable that in a number of cases it was not the intention to include such extraordinary expense, but the provision, found in some manuals, for "legal expense" without stipulation of the proper exclusions may lead to the indiscriminate charging of all such expense to cost.⁸ With few exceptions, taxes charged to cost were defined as being exclusive of Federal income tax, but in a number of instances State income taxes were not mentioned.

It should also be noted that some manuals provide for the exclusion of items that generally are treated as a part of cost. One manual, for example, treats social-security taxes and property taxes as a deduction from income; another excludes depreciation from operating costs. Research and development expense is excluded wholly or in part from costs in two manuals. There is some question concerning the manner in which this latter expense should be disposed of, but the problem which it raises lies more in its method of allocation than in its definition as an element of cost. One of the two manuals excluding development expense from costs also provides that expenses for pensions and "local welfare activities and local public relations" be excluded. Presumably the expression, "local welfare activities and local public relations," is analogous to the terms "charity," "donations," and "contributions" frequently encountered among the items included under general expense, but it may include employee welfare and relations. This manual was issued and approved by the N. R. A. code authority for the industry, and the exclusion of such items, in addition to reflecting N. R. A. policy, probably recognized the competitive disadvantage which large manufacturers would labor under were they required to reflect such costs in their prices.

Varied motives and problems lie behind the inclusion of debatable items in cost, as well as in the exclusion of items generally unquestioned as components of cost. The tendency in either case is to reflect unreal costs and, because the inclusion of questionable items is the more frequently encountered, more often to reflect unrealistically high costs. Such practices in some cases may result in a closer approach to the average costs of the members of an industry, but the tendency toward cost uniformity to a much greater degree arises from methods for computing and combining elements of cost.

Methods for computing and combining elements of cost.

The development of uniform methods and bases for calculating costs does not necessarily indicate a desire to attain uniformity in costs themselves. The lack of criteria for cost determination among members of an industry has often been recognized by those developing an accounting manual; and depreciation rates, normal rates of utilization of capacity, etc., have been suggested when it was believed that the accounting records of members were not sufficiently developed

⁸ Exceptions to this lack of definition were noted in some cases; thus, one manual provided that, "Extraordinary costs not incurred in connection with the manufacture and/or sale of products or services should be excluded" as, for example, expenses incident to "Income or other tax controversies."

to provide them with bases of their own. No question can be raised about the worth of such measurements. It is where their use without modification is suggested, or where they are employed blindly, that the danger lies. To be factual, costs should reflect the individuality of a concern's operations rather than the average experience of the group.

Depreciation rates.—Any depreciation rate is based on elements of uncertainty, inasmuch as the useful life of buildings, plant, and equipment is conditioned by many factors that can be evaluated only in inexact terms. Climate affects the rate at which some assets lose utility. The maintenance and repair program of a firm may add or subtract years from the useful life of an asset. Care and skill with which machinery is operated and many other factors affect the rate at which assets deteriorate. Any schedule of depreciation rates that is based on the average experience of an industry is at best a crude measure of the experience of the individual firm.

Of the manuals examined, somewhat less than half provide schedules of depreciation rates, and some of these advise the individual members to study their own conditions to determine whether the rates are applicable without change. Typical examples of comment accompanying schedules of depreciation rates follow:

It is recommended that wherever practical the * * * plant set up plant records from which depreciation may be computed. * * * If this is impractical, the following composite rates * * * are recommended.

All rates recommended are based on the tabulated experience as well as on the general judgment of many manufacturing engineers and superintendents over a cycle of years, and are the average of abnormally high as well as sub-normally low production. [This manual specifies certain conditions under which the rates may be altered, but these do not include all the possible conditions that might render it desirable to apply rates different from those recommended.]

The rates shown in this table are the recommended normal annual rates. * * * Special depreciation is that which represents depreciation in excess of normal occasioned by extraordinary wear and tear due to multiple shift operations [and] extraordinary obsolescence of plant. * * * Rates for the recording of special depreciation as here defined must be developed for each particular case. [This reference to special rates applies to rates that should be greater than the normal rates. It should be added that the normal rates themselves may not fit all the so-called "normal" conditions of the individual firm.]

Rates of depreciation [for automobiles] will be at rate of at least 33-1/3 per cent annually of first cost. [Minimum rates are also stipulated for other equipment by the manual of this construction industry.]

The rates that will be used are those which may be established from time to time by the Code Authority, or if no other rates are specified, the rates which may be allowed for tax purposes. [Evidently, the foregoing was a mandatory provision of a manual issued by the industry's N. R. A. code authority, which has not been revised since the N. R. A.]

To the depreciable base shall be applied annual percentage rates no lower than those shown immediately hereafter.

No serious objection can be offered to the inclusion in an accounting manual of normal or average rates of depreciation provided that in the installation of the uniform cost system those conditions are recognized that call for the modification of such rates for the individual firms, the rates being adjusted accordingly. It was probably because of the

fact that depreciation rates are difficult to determine that, in some instances at least, the manuals cited above and several others as well have suggested rates to be used. In more than half of the manuals examined, however, the provisions for depreciation included no rates.

Revaluation of assets.—Relatively few of the manuals examined provide for that revaluation of plant and equipment. Where it was provided, such revaluation for the most part was directed to the writing-up of assets purchased at unusually low values. Thus, one manual prescribes that:

In the case of plant and/or equipment acquired at an abnormally low price the basis [for calculating depreciation] will be the fair replacement value, new, of such assets.

This does not stipulate outright revaluation but merely the setting up of values upon which to charge depreciation to cost; it is much like the stipulation mentioned earlier for the continued charging of depreciation on an asset already written off but still in use. Such a form of revaluation may not be reflected in the writing-up of values in the balance-sheet accounts, but it does provide an enlarged base for the determination of the depreciation charge to cost.

The manual of an association in the textile industry provides that interest on investment and depreciation be computed on the replacement value of the property. It states the reason for using replacement value for computing depreciation as follows:

The replacement base was used because of the fact that when the mill finds it necessary to replace worn-out or obsolete items of property it must do so at the prices then obtaining. It seems sound to assume that the mill's operations have not in the long run proved profitable unless provision has been made for these eventual expenditures. Accordingly, we believe it quite proper that costs developed for selling purposes should provide for such contingencies.

As to the replacement basis for computing interest on investment, it states:

* * * this interest charge is based on the *replacement* value of the property involved because of the belief that present costs on which present prices are to be based should reflect present circumstances in all respects. * * * and because there would seem to be no economic justification for passing on to the customer the advantage derived from the purchase of property during some past period when lower prices for such property prevailed, or when the property was acquired at distressed prices at heavy loss to the original investors.

One association that had installed some 300 accounting systems without the use of a manual carried out a revaluation of assets in conjunction with the installation, primarily, the association executive explained, because so many of the plants had changed hands at bankruptcy sales. Another executive who as yet had not inaugurated a uniform accounting program expressed the belief that revaluation would be a necessary concomitant of uniform accounting in his industry, inasmuch as many plants were undervalued because of acquisition at bankruptcies values.

In one instance interest in revaluation evidently was not stimulated by the existence of extremely low values. The manual states as the reason for use of reproduction values:

* * * the management preserves a true picture of actual costs of product in an economic plant built and equipped at current values, whether these be greater or less than the actual cost of acquisition.⁹

Revaluation of assets has been justified on the ground that the depreciation charge should provide for the replacement of the assets when their utility is exhausted. But though some assets may be undervalued in relation to their replacement cost, others may be overvalued, and consistent treatment requires that these values be reduced accordingly. The degree to which trade associations have concerned themselves with writing down excessive values has not been definitely ascertained, but it appears that they are more concerned with increasing values which they regard as being too low. In any event, no matter how complete and objective the technique, revaluation, if widely applied in an industry, would result in greater uniformity in depreciation costs, particularly when employed in connection with standard schedules of depreciation such as have already been described. If the uniform system also includes interest on an investment that is valued on a replacement basis, this element also will approach more closely the average for the industry.

Wages and salaries.—A few manuals suggest the computation of wages or salaries at rates other than those that may conform to the experience of the individual firm, the suggestion in each case being directed at the small entrepreneur who might fail to place what was regarded as a reasonable value upon his own services. One manual issued by an association in the contracting trade stipulates that:

Owners of the business engaged in active management should pay themselves a salary equal to that which it would require to secure someone else to fill their positions.

Another manual provides that in costs:

There shall be included reasonable amounts for salaries of proprietors and/or executives.

and that:

In establishments where proprietors and/or executives are engaged in manufacturing or in other tasks that are ordinarily performed by paid employees, an amount equivalent to the wages that would be paid to an employee doing the same tasks shall be included in cost.

It is not clear whether wages for performance of work "ordinarily performed by paid employees" are to be in addition to "reasonable amounts for salaries of proprietors and/or executives," but presumably such is not the intent. There are in this graphic arts industry many small shops whose operators are thought to underprice their own services in calculating the cost of their product. In connection with the stipulation that proprietors shall price their own labor at the rate paid to employees, it may be pointed out that an entrepreneur

⁹ Another manual in its provisions for calculating costs for the establishment of selling prices stipulates that "Depreciation Cost should [be computed] * * * at reasonable rates as recommended by the * * * Accounting Committee, to be applied upon values preferably not lower than current replacement costs." The manual includes a schedule of "Plant Replacement Value Indexes" for use in revaluation of plant for depreciation purposes "where no appraisal figures are available." This schedule is no longer current, the latest year for which indexes are shown being 1932. Indexes are shown for some 30 consecutive years ending with the base year 1932. The indexes from 1917 through 1931 were lower than the base (1.00) and those preceding 1917 were higher than the base.

may reasonably assume that he can afford to take less than is received by a paid employee, in view of the fact that the tenure of his job is at least as secure as that of his business.

Raw materials.—Raw materials are commonly charged to the product at the purchase price.¹⁰ To this practice, however, there are many exceptions. Current market price or replacement value is often used in place of the purchase price; and estimated prices based on the probable trend of future market prices of raw materials, or such future prices averaged with the value of inventory on hand, are sometimes employed. As is indicated in the following list, about a third of the manuals examined contain stipulations for calculating the cost of raw material at other than inventory value:

Basis other than inventory value for calculating raw material cost

	<i>Number of manuals</i>
A. Current market price-----	4
B. Replacement cost-----	4
C. "The batch price should be calculated at the budgeted prices of wools used in the grade estimated, considering the stock on hand, the season's commitments, and a budgeted estimate of future purchases, and should be the average cost of wool to be used for the season"-----	1
D. "If no changes in raw material prices are expected soon, the delivered prices which are now being paid are to be used as the raw material standard cost rates. For those items of raw materials on which it is known that the prices will change soon, the expected delivered prices are to be used as the raw material standard rates"-----	1
E. "Direct Material shall be included in the cost compilation at current market prices or at cost, whichever is lower * * *"-----	1

These provisions have varying purposes. In most cases they are probably designed to assist in price determination. Such bases also are used to facilitate the so-called "budgeting" of future costs, whereby a firm may estimate its production for a given, future period and set up a budget for some or all of the estimated expenses applying thereto. This budget may include an estimate for the value of raw materials to be used, in which case their value may be calculated on the basis of estimated future prices, upon average prices of a previous period, or according to some modification of these bases. Basis "C" above, and, to some extent, basis "D" are indicative of such methods. It is probable that in determining the price of the product the firms that budgeted raw material costs in this manner would take into consideration current market prices of raw material and would not be governed exclusively by the figures reflected in their budget estimates.

The calculation of the cost of raw material at inventory or current market value, whichever is lower (basis "E" above), is a provision which has the least capacity for bringing about uniformity in the basis for calculating raw material costs, except when the market price for materials is declining rapidly. This type of provision appeared in many of the N. R. A. codes that provided cost estimating formulae as a base for the determination of minimum prices. The manual in which it was found is a revision of a code manual.

¹⁰ In the distributing trades the calculation of the cost of merchandise at other than purchase price is analogous to the similar costing of raw materials in manufacturing. Some of the N. R. A. codes for distributing trades provided such bases, but no such stipulations were encountered in the manuals for distributing trades included in the present sample.

The current-market-price and the replacement-cost bases are similar in most respects. Replacement cost, however, recognizes that firms may be integrated with their source of raw materials, the cost of which may differ from the current market price. It also recognizes the possibility of long-term contracts, which may make possible the replacement of raw materials at prices other than the current market price. In most cases in which replacement cost is stipulated, however, it is provided for in terms such as to indicate that the use of current market price was intended. Where raw materials represent a substantial part of the total cost, costs thus calculated will reflect considerably less variation than would be the case if inventory value or, in some instances, replacement value were used. This is particularly true in industries in which some firms stock large inventories of raw materials in advance of their needs while others follow a "hand-to-mouth" policy; or, as already mentioned, in which some firms are integrated or can otherwise obtain raw material under conditions in which current market price is not reflected in the replacement cost.¹¹

Much, it is true, can be said for the use of current market or replacement values in charging raw materials to cost apart from the utility of this method in estimating costs as a basis for pricing. From the point of view of both management and the accountant it is desirable to adopt standards that are uniform as between a firm's departments, its products, and its plants. The current market price of raw material establishes a standard for purposes of comparison and control; it reflects raw material costs as they would appear removed from the influence of the past. On this subject one manual has the following to say:

* * * the method of using current prices * * * [in] the costing of materials used in production and [in] the valuation of inventories * * * gives the management much better control of the finances required for current production; it measures the efficiency of purchasing policy; it segregates gains or losses due to changes in market prices from those due to production conditions.

From the viewpoint of trade associations, the use of current prices for calculating raw material costs similarly may be desirable to facilitate cost comparisons and promote cost control, and a number of manuals indicate these as being among the purposes for which such provisions are included. But in recommending the use of current prices in valuing raw material, associations place most emphasis on price determination. The Cotton Textile Institute, for example, supports the use of current market value as follows:

It has been assumed on page 4 and elsewhere throughout this manual that predetermined costs for selling purposes will include cotton costs established only on a replacement basis. The arguments for such a policy are most clearly stated as follows on pages 13 and 14 of "An Outline of Bases To Be Used in Predetermining Costs for Guidance as to Sales Policies," published by The Cotton-Textile Institute, Inc., in August 1928:

"Replacement cost, instead of book value, of cotton and waste should be used in the predetermination of costs for use in determining sales policies. In view of the fluctuating prices for such raw materials, a sound policy on this point

¹¹ It is interesting to note that cost statistics subjected to intensive discussion are sometimes presented with raw materials calculated at current market, because certain members do not wish to disclose advantages due to integration or some special bargaining advantage in their purchase of materials. In other instances, the market price is used because the amount of wastage in utilization is more easily determined with all material priced on a uniform basis.

is of the greatest importance. A mill is justified in assuming that the raw materials it uses have the market value current at the time of sale of its product and indeed the mill cannot proceed with confidence and accuracy upon any other principle. If at the time a mill decides to sell its product, raw cotton has a market value of 15 cents, that should be regarded as the cost that the mill will put into the product, and this should be true whether at some preceding time the mill had bought that cotton for either 20 cents or 10 cents. The profit or loss the mill may have sustained on raw cotton between the time of its purchase and the time of sale of its product cannot correctly be regarded as affecting the true value of the raw materials as of the date of sale. Not only is this sound from the standpoint of the facts, but it is highly important from the standpoint of merchandising policy because any other method involves the mill in misleading itself as to the significance of the cost of the raw materials with reference to the price of the product. If at the time of sale of its product the raw material has declined in price since its purchase, the mill cannot on that account get a price for its product which will reflect the higher price it paid at an earlier date for its raw material. The mill must yield to the prevailing price levels of the market and these almost invariably reflect any declines that may have taken place in the price of cotton. If at the time of sale of its product the raw material has increased in price, the raw material is worth *as material* that present value and if the price of the product reflects, as it should, the current value of the raw material the mill should not omit to profit by that condition. It may be true that very frequently the price of cotton products fails to reflect the increase in the price of cotton, but the mill should not accentuate that unfortunate tendency by deliberately disregarding the fact that, at the time of sale of its product, the product should be charged with the then value of the raw material. If a mill disregards the replacement cost of cotton at the time it sells its goods and seeks to predetermine its costs on the basis of what it theretofore paid for cotton, it not only disregards the fact as to what it could get for the raw cotton if it sold it instead of making it into goods, but it also commits itself to a rule of cost predetermination which will tend to affect it injuriously whichever way cotton prices move; if the price of cotton declines, market conditions will compel reduction in the price of the goods despite the fact that the mill may compute its predetermined costs on the book value of cotton; but if the cost of cotton increases, the mill's policy of predetermining costs will not only have no tendency to promote the mill's position as to the price of its goods, but will have the directly opposite tendency through understating the true cost of the cotton going into goods, as that cost stands on the date of such sale, and will encourage the mill and encourage the trade to act upon an underestimate as to such cost."¹²

Another advantage that trade associations recognize in the use of current market prices for calculating raw material costs is its ready availability to all members of the industry. In few industries do all members have adequate inventory records from which an accurate inventory price of raw materials can be computed. The use of current market price once suggested, therefore, will achieve ready use by those who are unable to determine the actual inventory cost of their raw materials. This probably is regarded with good reason as being more desirable than would be erroneously calculated inventory values.¹³

Factory burden.—Costs of production ordinarily are thought of as consisting of direct materials, direct labor, and burden or overhead, the last of which consists of indirect labor, miscellaneous materials and supplies, fixed charges, and other items that cannot be charged directly to the product. These charges usually are accumulated in a so-called "burden account" and then allocated to the prod-

¹² The Cotton Textile Institute, Inc., "A Method of Predetermining Costs in Cotton Yarn Mills," pp. 45-46.

¹³ During the N. R. A. one of the arguments advanced for the use of current market prices in calculating raw material costs was the lack of necessary inventory records from which a raw material cost, or a cost of merchandise for resale, could be accurately calculated. Here the object was the establishment of minimum prices; the use of current market price facilitated control by the enforcement agency.

uct on some such basis as the number of machine- or man-hours consumed or units manufactured. It can readily be appreciated that such charges may vary greatly between individual firms and that any uniform or average rate for the industry may differ considerably from the actual rates of individual firms.

Although several manuals provide that factory burden be calculated in terms of normal utilization of capacity, which affects the amount of burden charges actually included in the cost of the product, only one of the manuals examined provides average rates for the industry. This manual, approved by the National Recovery Administration in 1934 and sponsored by the association, apparently has not been revised since the N. R. A. Respecting the development and use of these rates, the manual contains the following statement:

Detailed analyses of burden costs have been made in some twenty plants. Other plants have cooperated to a great or less extent, so that there is available the results of nearly 30 plants on a comparable basis.

The results of these surveys have been tabulated according to types and sizes of equipment and for other production centers, making possible an average experience cost for each type of operation for the industry.

There have always been some companies which had not built up their own budgets, but desired to conform as far as possible to the uniform system. For the guidance of such companies, and as a means of measuring their own efficiency with that of companies having budgets, the * * * Institute has from time to time prepared tabulations of Provisional Factory Burden Rates.

These tabulations have been based on the frequency averages of the budgeted rates of such companies as had the uniform cost installation. The elements of the frequency averages are adjusted to take care of periodic changes in labor conditions and the prices of supplies and other items of manufacturing expense. The basis for these adjustments is provided by the detailed analysis of experience described above, together with information obtained by direct and constant contact with the individual plants.

Exhibit "B" is the latest chart of such rates. These rates are based upon a normal of 1,350 hours in a twelve-month period.

It is expected that the provisional burden rates will be used by those companies that have not maintained the complete records of their operations which are necessary for budget building. However, each company is at liberty to promptly begin keeping the necessary records. And with such records accumulated, each company will have the full right to adjust its individual normal burden rates to reflect its true expense level. Such adjustment will be permissible at the end of each six-month period.

The present provisional rates will be in effect for six months after the first day of the month, following the month in which this cost system is officially established. Thereafter adjustments which are justified as described above shall be permissible at the end of each six-month period. Any concern which, at the time of the approval of this system, has sufficient records to make such an adjustment may make the adjustment at the time this cost system goes into effect.

The rates shown in "Exhibit B" mentioned above are expressed in dollars and cents per machine-hour for most departments, per hundredweight of material processed for others, and per man-hour in one department. Although it will be observed that the use of these rates was prescribed in a mandatory tenor, it can be fairly assumed that the association today makes no effort to give them the authority they previously enjoyed. That it does continue to promote the use of average burden rates, however, seems evident from the fact that it made a study of such rates in 1937 and disseminated them to its members.

Normal capacity.—This term may refer merely to the capacity of a plant to produce under average or "normal" conditions without reference to the demand for its product. When the norm is predicated on

the average demand for its products it is more properly referred to as "normal utilization of plant." Such normal utilization may be calculated on the basis of past experience, of anticipated demand, or on a combination of these bases. The norm so established, whether based on the plant's normal capacity or upon the normal demand for its product, provides a basis for the allocation of burden costs to the product which tends to keep the amount of burden included in the unit cost relatively constant from period to period. In this connection a description of methods of calculating burden rates contained in a study by the National Association of Cost Accountants is helpful:

1. Actual rates may be used. Rates are determined at the end of the accounting period by dividing actual overhead by actual production. Under this plan there can be no over- or under-absorbed burden. * * *

2. Predetermined rates may be arrived at by dividing the estimated overhead for the period by the estimated production for the period. The object here is to arrive at a rate that will apply all expenses for the period to the goods produced during the period. Any over- or under-absorbed burden is due to errors in the estimates.

3. Predetermined rates may be set on the basis of "normal capacity," "normal utilization of plant" or "normal sales expectancy." There are two variations of this method.

(a) Normal capacity may be used solely on the ability of the plant to produce, with no consideration given to the ability of the sales department to utilize that productive capacity. This method is most logical where productive capacity is closely adjusted to customers' requirements and volume does not vary greatly from year to year.

(b) "Normal utilization of plant" or "normal sales expectancy" may be based on the expected utilization of the plant over a period of years in the future, taking into consideration both expected sales for the period and the capacity available. Companies whose sales fluctuate violently are inclined to favor this modification of the strict "normal capacity" method.

While the term "normal capacity" is used most widely to describe the methods listed under (3), it would seem that "normal utilization of plant" would be a more accurate term.¹⁴

This study cites some of the factors most frequently employed as the basis for establishing the so-called "normal capacity" or the "normal utilization of plant," as follows:

- Anticipated sales for the period under review.
- Anticipated sales for a term of years in the future.
- Average sales experience for a number of past years.
- Practical capacity of the plant as a whole.
- Practical capacity of the department with least capacity.

Of the 30 manuals examined somewhat more than half make no provision for the use of such norms in the determination of costs. Of these manuals a number were designed for use by small firms, many of which probably were unprepared to employ the more elaborate accounting technique called for in the use of these norms. Others were designed for use in businesses in which fixed assets constitute a very limited part of the capital employed and where capacity readily adjusts to demand. On the other hand, some relatively elaborate manuals omitted such provisions for no evident reason.

Some of the manuals that include provisions for basing costs on "normal operations" merely call attention to the need for such a norm without suggesting any method for its determination. Others leave it to each firm to adapt the recommended bases to accord with its

¹⁴ National Association of Cost Accountants, *Practice in Applying Overhead and Estimating Normal Capacity* (April 1, 1938), pp. 924 ff.

individual experience. Several manuals suggest the use of the average rate of operations for the entire industry, apparently disregarding the individual experience of the various members. Of 30 manuals examined, the following indicates the frequency with which the various provisions occurred:

Provision for establishing normal capacity

	<i>Number of manuals</i>
Reference to the need for using "normal" capacity but no bases or only very general bases indicated.....	4
General or specific bases suggested, which may be modified according to the experience of the individual firm.....	4
Average rate of operations of industry recommended for use by each firm.....	4

Illustrative of the very general and undefined provisions for the use of normal capacity are the following:

The rates used in applying overhead expense to the unit of product produced shall be on the basis of a normal or average rate of utilization of plant facilities. This shall apply to commercial overhead as well as factory overhead. The normal or average rate of utilization is to be determined over such period and on such basis as may appear to be fair and equitable for the particular concern involved.

The budget of manufacturing labor and burden * * * required to operate the plant at a normal rate of production.

Provisions that go further but leave to the individual firms much discretion in application are quoted below. The first excerpt gives a number of cogent reasons for the use of a "normal" basis in distributing overhead costs:

Use of normal or average rates of expense in costs.—Conditions of production and distribution in the industry may vary so greatly that "costs" obtained by using current actual rates of indirect factory or general expense, which are temporarily high or low because conditions are abnormal or subnormal, are not accurate and may work injustice or entail losses.

It should be recognized that expenses do not fluctuate in parallel with the volume of production and sales, and that the fiscal year is largely an arbitrary period which may not represent average conditions. Also, the benefit of expenditures during one fiscal period may extend to the production and sales of another. For example, the benefits from salaries and wages paid leading personnel during periods of subnormal operations, in order to maintain an efficient and satisfactory organization, often extend to subsequent periods of larger output. Depreciation of property, although entered into expenses in equal instalments, irrespective of volume of output or sales, generally speaking, applies to products pro-rata the total output during the time the equipment is in service. Maintenance expenditures usually apply largely to output of periods previous to those in which they are incurred. Often maintenance work is deferred until periods of low production. In the case of distribution expense, the deferment of the benefits from expenditures is even more pronounced. The results of selling efforts, advertising, etc., of today may not become apparent for several years.

To accomplish the accurate allocation of expenses to the products to which they are applicable, by means of normal or average rates based upon cycles of operations extending over several years, is considered sound accounting and good financial policy.

Due to unavoidable irregularity of operations in the * * * industry, it is recognized that good costing requires (a) the establishment of normal burden rates for both manufacturing and selling activity. * * *

The actual experience of the * * * industry * * * as far as can be determined from data available is around 60% [of a one-shift 48 hour week, 50 weeks per year]. A 65% utilization of a necessary one-shift capacity is recom-

mended as a starting point. * * * Some managers may wish to use the last five years' experience of their own companies in setting their normals.

Factory overhead should be determined annually as follows: The individual manufacturer should predetermine the amount of factory overhead necessary to operate each division of his plant for the number of hours per year it would be necessary to operate to supply the average annual demand for its products.¹⁵

"Normal operations" of the individual producer for any semi-annual accounting period shall be determined by taking not more than sixty-five (65) percent of the best six (6) consecutive months' production of such individual producer ("practical capacity") since January 1, 1924. * * * [While limiting the application of the individual firm's experience by stipulating "65 percent of * * * practical capacity," this provision does permit a limited application of individual experience in the provision for the "best six * * * consecutive months" as the determinant of "practical capacity."]

Two of the manuals that make little or no allowance for variations in the actual experience of the individual firms were originally approved by the National Recovery Administration. Examples of provisions for such norms are quoted below:

Normal operation: In order that rates developed be consistent with operation throughout the industry a "normal" is established. The Code Authority in consultation with the National Recovery Administration has fixed 1,350 hours as normal operation of the major centers. The normal units for other equipment and other centers is adjusted to the ratio of the operation of such equipment to the operation of the major equipment.

The chart * * * shows the justification for recognizing that 1,350 hours of work in a twelve months' period is a reasonable expectation * * * based on the ten-year average 1924 to 1934.

Utilization of plant capacity: * * * It is, therefore, necessary first to consider knitting capacity in terms of productive time and then to estimate the quantity of production that can reasonably be expected in the productive time available. [Estimated maximum capacity was computed at 3,872 hours per year and the manual goes on to say.] Normal capacity will be stated at 75% of maximum capacity or such other percentage as may be selected, or established by the Code Authority.

The provisions of two other manuals examined contain implications that the norms constitute a desirable level of production for the firms in the industry. One manual states:

For several years the Statistical Department of the * * * Association has gathered and tabulated very comprehensive and accurate activity figures. After a careful analysis of these figures, the Cost Committee of the Association recommends that standard costs for the industry be figured on a fifty (50) hour week basis. The Committee believes that this fifty (50) hour week for the industry as a whole will produce approximately the equivalent demand.

The other manual in speaking of "Normal Overhead Budget" says:

As in the present case [costs based on hypothetical example] the mill is assumed to be running 55 hours per week, no allowance has been considered necessary for losses incurred when operations are reduced in order to adjust output to demand. Such adjustment of operating schedules would be rarely, if ever, necessary if all mills confined their operations to 55 hours per week.¹⁶

¹⁵ Earlier, and apparently under the N. R. A., factory overhead in this industry was to be determined "annually predicated upon the average annual number of hours that each division of the Industry must operate to supply the annual demand for its products averaged over a cycle of five (5) or seven (7) years."

¹⁶ This manual was issued in 1931. Subsequently, the N. R. A. code for the industry stipulated two 40-hour shifts as the maximum level of operations.

In his discussion of the use of industry norms during N. R. A., Taggart points out that " * * * the establishment of an industry-wide rate of plant utilization might be unfair to certain members of the industry whose own experience would justify a higher rate than the one established. Occasionally, in fact, the representatives of an industry had precisely this intention. In one case it was proposed to fix 75 percent of single-shift capacity as the basis for inclusion of plant overhead. A natural inquiry led to the

The use of normal utilization of capacity, normal production, or normal capacity as bases to distribute the relatively fixed costs of burden to a product is highly desirable. Aggregate burden costs if absorbed in the limited production of a depression period in many industries result in total costs per unit that are higher than during periods of normal production. If prices were premised on these high costs, the demand for the product would be retarded rather than stimulated, whereas costs reflected by normal burden rates would have no such tendency. Insofar as the seller calculates his offering price with reference to his cost, the method of calculating such cost assumes importance. Use of a normal rate of operation for distributing burden expense represents an exploration of the past and a forecasting of the future. In its broadest application it is a method of averaging burden costs, not for a month or a year, but for a period of years. The ultimate implication of the use by the individual firm of an industry norm is that it subscribes consciously, or otherwise, to a sharing of the market in terms of the relation which its capacity bears to that of the industry.

Other provisions for calculating and allocating costs.—There are a number of other cost items in the calculation of which uniform bases are sometimes suggested. For example, several manuals include rates for computing loss or waste¹⁷ in the utilization of raw materials. One manual suggests minimum rates for what is termed "depreciation of merchandise."¹⁸ Another displays the average percentages by which the sales price of merchandise to the customer may be reduced in order to arrive at the purchase cost to the dealer.¹⁹

The methods by which factory burden, general administrative expense, and marketing costs are distributed to the product, as has been noted, are not adequately provided for in some of the manuals. It is obvious in the case of some of the more simple accounting systems that little effort was made to develop bases for allocating burden costs. In fact, in some cases there was no attempt to differentiate factory burden from general administrative expenses and marketing costs. In such cases, however, the manual usually was addressed to those who were unprepared to use a more complicated system. The more elaborate manuals provide bases that appear to be adequate for the distribution of factory burden, although a thorough understanding of the peculiar characteristics of each industry is necessary to a satisfactory appraisal of such bases.

discovery that, although most of the members of this industry operated on a single-shift basis, a few ran their plants two shifts. It was at this practice that the members of the code authority wished to strike. They had been unable to obtain a limitation on the hours of plant operation in their code, and wanted to accomplish somewhat the same result by means of the cost formula. If they had succeeded, the two-shift operators would have had to count in their fixed overhead twice. For this reason proposals as to the definition of 'normal' plant operations for an industry as a whole were always scrutinized with care, and never accepted unless it was reasonably sure that they were honestly conceived and would not unduly increase the costs of any producer." (Herbert F. Taggart, *The Cost Principle in Minimum Price Regulation*, University of Michigan, Ann Arbor (1938), p. 83.)

¹⁷ Waste ordinarily is more easily determined than depreciation. Manuals providing rates usually also suggest methods by which such loss can be determined on the basis of each firm's experience.

¹⁸ This "depreciation" is provided to cover losses on merchandise purchased for resale, and the manual stipulates that such depreciation be charged to cost.

¹⁹ The manual states: "The Analysis Committee has established the following percentages of Gross Profit to be deducted from net sales to obtain the cost of goods sold. * * * The recommendation that average percentages should be applied to net sales to arrive at cost of goods sold is one of expedience. An alternate method which requires more clerical work and produces a higher degree of accuracy is to raise all sales to list and apply the percentages to arrive at cost of goods sold. If the latter method is adopted, each dealer will, of necessity, determine his own percentages, which, of course, will not be comparable to those established by the Analysis Committee."

General administrative expense is often treated more casually than factory burden, and some of the manuals that include relatively complete cost accounting systems provide a single basis for the allocation of general expense, which, though easily applied, is not premised on sufficient analysis to permit an accurate reflection of cost. Thus, one manual issued by an association in the graphic arts industry recommends that general administrative expense be apportioned as follows: 10 percent to general factory expense, 30 percent to selling, and 60 percent to "general commercial expense" (marketing expense other than selling), "unless conditions in the individual plant justify varying these percentages." Probably few members who analyzed the services rendered by the general management (general administration) would find that the above percentages corresponded to their own experience, and many would have a natural tendency to adopt the percentages in the manual without first analyzing their own cost. Another manual provides that:

administrative, shipping, and selling expense * * * be distributed over the various departments at an average rate per chargeable hour [of direct labor] * * *

This method has virtues of simplicity but accomplishes little more than an arbitrary distribution of the expenses in question.

Few of the manuals examined include a comprehensive treatment of the subject of distribution costs.²⁰ As compared to production cost accounting, relatively little progress in this field has been made in any sector of business. Trade associations that have formulated distribution cost accounting systems may be regarded as pioneering in this subject, and most of these agree that much more should be done before distribution costs can be accounted for satisfactorily.

The "direct labor" and "direct material" costs of marketing are usually small and present no special difficulties, since they can be applied directly. By far the greatest portion of marketing costs are indirect and must be allocated to individual commodities, customers, territories, etc. The general principles underlying the allocation of indirect marketing costs are similar to those used in allocating burden costs in the factory. Expenses must be classified in or allocated to functional departments, such as handling, shipping, warehousing, and selling; and each of these functional costs in turn must be allocated to products, sales territories, or classes of customers according to some basis of allocation, such as number of invoice lines, or average inventory investment. Three of the manuals examined appear to include adequate provision for the functional classification of marketing costs; but less progress has been made in developing bases for the allocation of functional cost, and in only one manual does it appear that bases have been formulated that are adequate for reasonably exact allocation.

Trade associations face formidable problems in the development of distribution cost systems. Unlike production cost accounting, distribution cost accounting is relatively undeveloped among their members, and, therefore, no large fund of experience or sufficiency of historical records are at hand for use in formulating the system. Furthermore,

²⁰ Among the manuals that treat distribution costs at some length are those of the National Paint, Varnish and Lacquer Association, Inc.; the Rubber Manufacturers Association; the National Electrical Manufacturers Association; the Institute of Carpet Manufacturers; and the National Machine Tool Builders Association.

many members are not prepared to undertake the necessary accounting work which the use of a more complex costing mechanism involves. The large variety of marketing channels explains the slow progress in developing uniform distribution cost manuals in many industries. Generally speaking, there probably is a greater uniformity in manufacturing methods than in marketing methods, and for that reason uniform manufacturing cost manuals have a better chance of being reasonably applicable to the individual concern.

Distribution cost systems like those for production costs may include provisions that tend to bring about an artificial uniformity in costs as between firms. It does not appear, however, that the several systems examined include such provisions; rather are they directed toward analysis that will delineate more clearly the differences in marketing costs.

Cost and price estimating formulas and services.

The foregoing has dealt largely with the content of accounting manuals, particularly those that profess to treat cost accounting. Some of these manuals contain provisions the adherence to which would have a tendency to bring about a uniformity in the costs of the members of the industry. This is also true of price estimating and cost estimating devices and services, the former of which, though seldom a part of a cost manual, may be used to supplement the cost system or as a substitute for it. Among such instruments are: Base-price lists; reference tables showing mark-ups to cover merchandising costs; tables setting forth labor-hour requirements for performing a certain amount and type of work; tables showing the average cost of each operation for use in estimating the total cost or price of the product; formulas for estimating bids; cost estimating services; and the publication from time to time of statistics on the average costs of the members of an industry.

Base-price lists.—Base-price lists are used in a number of industries, having been employed in some of them for many years.²¹ The base-price list is encountered in industries whose products consist of a large number of items differing from a basic or standard item and in industries whose products while standardized consist of a multitude of different sizes, types, or grades. Base-price lists are often issued by individual firms, and it is from such lists that industry-base-price lists have often been developed.

The base-price list developed by a trade association is designed for use by the entire industry and by the trade it serves. Its function is to provide a standard method by which price relationships between various products can be readily calculated. This may be done by listing prices for each element of the product, or for each type or grade of product, such prices usually being established at a level much in excess of actual prices, which are arrived at by the individual firms through discounting.²² Or it may be done by listing, either in abso-

²¹ "Some base-price practices are hundreds of years old, existing lists having been brought to this country in colonial times." Federal Trade Commission, *Open-Price Trade Associations* (1929), p. 199.

²² In at least 1 case the price list gives actual average costs for the industry, to which some firms find it necessary to add a premium rather than deduct a discount. This has not been entirely satisfactory, because many customers schooled in discounting base lists do not like the idea of "plussing the list."

lute or relative terms, all differentials from the base price; in these cases the individual firm determines the price of the basic unit, the prices of products varying from this unit being calculated by adding to or subtracting the stipulated differentials.

Base-price lists have an undoubted value in affording a standard and efficacious method of calculating price relationships. Such lists usually are based on cost statistics, which purport to represent the average costs of the members of the industry. But though such lists may be premised on representative costs, there is, of course, always the possibility that individual firms will follow them blindly without checking them against their own cost experience, simply adopting the discount that is prevalent in the trade on the assumption that their costs are the same as those upon which the list is based. A step removed from the blind acceptance of the base-price list as a means of establishing price relationships is the practice of the individual firm of computing costs on one or a few of the many items covered in the base-list and from this limited comparison determining what its discount should be relative to all the items cataloged. A superficial choice of a few items, however, may result in cost determinations on those items in which a plant is most or least efficient. The resulting calculated discount applicable to the entire list, thus, may be too high or too low. Likewise, if the list consists of a series of differentials in the use of which the manufacturer must compute his price on the basic product, there is the possibility that firms will calculate the cost of the basic product on a superficial basis, as well as the possibility that the differentials will not truly reflect cost differences, particularly if they are in terms of absolute amounts rather than percentages. The intelligent use of the base-price list not only presupposes a thorough analysis of costs but also a constant check upon such costs, since the list itself may cease to be representative because of style, technological, or other changes affecting some or all of the products. The secretary of one association in speaking of base-price lists prepared by his association said that base lists often got "out of balance"—that is, some items in the list became relatively underpriced or overpriced as compared with others. In order to guard against this, his association has inaugurated a monthly survey of costs of certain key items in the list. It is probable that a number of base-price lists need much more frequent revision than they enjoy.

One accounting manual²³ was encountered that provided differentials in absolute amounts by which the cost of each order could be estimated after the firm had established its cost for the "basic unit," to which the differentials were to be applied. The same problems, of course, are involved here that inhere in the use of base-price lists, but few accounting manuals incorporate such a device. The manual explains that the differentials specified reflect amounts equally applicable to all firms in the industry and provide an easy method of calculating cost; it points to the considerable added work in the maintenance of a cost system that requires a firm to ascertain its own differentials. Some trade associations publish price lists that are confined to a few of the price components. Among the most common of these are lists that set forth differentials covering various types of package, differ-

²³ National Container Association. See ch. V, pp. 243 ff., above, for a further description of the use of these differentials.

entials for handling or packing the product in each of several kinds of containers, and prices for so-called "extras."

Reference lists showing average mark-up.—Such lists are found among the merchandising trades. Mark-ups contained in a list issued by an association in the paper trade, for example, are based on the average merchandising costs in the trade. Reference tables show, by size of sale in terms of the purchase cost to the dealer, the selling price necessary to cover costs of merchandising; and contain columns showing the selling price necessary to include specified percentages of profit. Members to whom this study is addressed are warned that—

in considering the Ready Reference Tables it should be recognized that averages necessarily include high and low costs of distribution and other factors varying with different individual merchants. The Ready Reference Tables are therefore presented only as a yardstick against which merchants may measure their own costs of distribution in the light of the broad experience of a cross section of merchants operating in all parts of the country.

Aids to differential pricing.—It has already been indicated that distribution cost accounting has been little developed by trade associations and that trade associations have provided their members few cost guides for differential pricing in distribution. The uniform terms and conditions of sale advocated by some associations may in a sense be regarded as a substitute for the determination of price differentials by means of distribution cost accounting. Thus, schedules of quantity discounts may serve to guide members in pricing different sizes of orders, and schedules of trade discounts, in establishing price differences between customers classified according to functional characteristics. Basing-point systems and delivered-price zones and differentials may serve to guide members in establishing price differences between differently located customers. Such guides to differential pricing in distribution may vary considerably in the extent to which they recognize differences in marketing cost. Where, for example, quantity discounts are prohibited, a policy of a single delivered price is recommended, or where a basing-point system is confined to a single point in a geographically dispersed industry, it is evident that cost differences receive little or no recognition.

Cost estimating aids.—These devices vary considerably in the extent to which they cover the cost of the product. One elaborate manual issued by an association in a contracting industry deals exclusively with the labor-hour requirements necessary for the performance of stipulated quantities of various types of work. It represents average labor requirements based on figures supplied by a large number of estimators in the industry and provides a guide to those members whose experience has not been sufficient to permit an estimate of their own requirements. The association does not prescribe these requirements for literal application, but that undoubtedly is the application they receive at the hands of some who use them.

Another cost estimating device provides the mechanics for estimating the entire cost of a millwork product. Entitled "Cost Book," it was likened by the secretary of the association to a catalog. The "Cost Book," which is revised and reissued every year, is based on cost statistics gathered from a considerable number of firms in the industry. It includes a table showing average costs for some of the operations, average hourly rates for labor and for machine burden, and the average ratio which commercial (distribution and general)

expense bears to total factory cost. This table is accompanied by "list prices" for a large number of grades and variety of product. The individual firm is advised that its costs may not "conform exactly" to the average costs shown and that adjustments should be made before determining the discount from the list prices included. The list prices by themselves would be valuable in cost estimating, since a firm having determined its costs for a number of key items could establish its cost relationship to the entire list. However, the inclusion of the average costs, or "rates" as they are called, probably has the tendency to lead some firms to use the averages rather than costs based on their own experience.

Another cost estimating manual, called "Production Standards and Economic Cost Values," sets forth rates for cost estimating without the injunction on the individual firms to ascertain their own costs. This manual issued by a national association in the graphic arts industry, sets up unit costs for each operation, including labor, burden, distribution, and all other expenses of production and marketing except material. The individual firm simply multiplies the number of units by the standard cost of each operation through which the product passes and adds the results to arrive at an estimated cost covering all expense except raw material, which the individual firm calculates independently. The degree to which this device is used by firms unacquainted with their own costs is not known, but the number may not be inconsiderable in view of the relatively large number of small entrepreneurs in the industry who make no pretense of knowing their own costs.²⁴

Cost formulas and bid filing.—In some industries and localities it is the practice to stipulate bases for estimating cost in connection with a system of bid filing. In one case²⁵ the contract by which the members bound themselves to file all bids on contracts above a stated minimum contains a stipulation of the items to be included in the direct cost. To this cost there is to be added a specified "minimum percentage of such cost for overhead and profit." The contract provides further:

If the successful bidder is 8% or more below the average of bids of all members bidding, excluding the highest bid if it is more than 8% above the average, the amount to be paid to the Treasurer for Association expenses shall be increased from 2% to 5% of the sum of the cost, overhead, and profit as determined above.

Cost estimating services.—Few national and regional trade associations render cost estimating services on specific jobs. Such services are found principally among local associations in the contracting industries. The executive of one national association that had performed this type of service in the past explained that the free estimating service encouraged every contractor to bid on every job that was offered rather than to confine himself to the jobs that he was best equipped to handle. The result was an undue increase in competition, which led to discontinuing the service. The same executive expressed considerable doubt concerning the results of estimating service whether furnished by trade associations or other agencies. He said:

²⁴ It should be added that while the cost values are average costs based on cost statistics, some of these costs are based on a sample so limited as probably not to be representative of the industry.

²⁵ National Electrical Contractors Association; see the discussion of the bid filing plan of this association, pp. 221 ff., above.

In the first place, in estimating for a group the estimator generally uses averages, and averages are dangerous. Then, also, he usually has a vested interest in the business of estimating and therefore furnishes an estimate high enough to protect any and all of his clients from loss. The result is a figure too high for the more efficient of the group.

He had reference to services in which the estimator not only attempted to estimate the quantities of materials and amounts of labor required but also imputed a value to these and other items figuring in the cost of the job.

Reference may be made to the "quantity survey," in which the association or other agency goes no further than to estimate for contractors the quantities of the various materials needed in a specific job. This service undoubtedly effects an economy in the cost of estimating itself, since it relieves a contractor of the salary of an expert estimator. The contractor, of course, should be in a position to check each item included in the estimate and make such changes as his judgment indicates.

Statistics on average costs.—Cost estimating media and services for the most part have their genesis in cost statistics, which usually are averages presumed to be representative of the industry. These media and services themselves are formalized and become established as instrumentalities for cost or price calculation. Statistics of average cost may serve this end directly, even though the object of their dissemination is to afford each member the opportunity of comparing his costs with the average costs as a guide to better management and more efficient practice. As has been stated:

The primary purpose in compiling average-cost data is to encourage a study of individual costs, but too often there is a reverse effect, the manufacturer using average costs for the industry to arrive at a sales figure for his products instead of accurately computing his actual costs.²⁶

It seems fair to say that many associations have nothing ulterior in mind when they develop estimating media or disseminate statistics on average costs and that they do not subscribe to that use of such instruments which submerges the individual's own judgment and experience in the group experience. It seems equally fair to say that, whatever the motives of the association, in many cases the use of these instruments has been such as to lead to more uniformity in the shape of imaginary costs and less accounting for real costs, a situation that suggests the need for even greater effort on the part of trade associations to promote sound accounting practice among their members.

COST STUDIES AND COST STATISTICS

One might, with good reason, assume that the collection of cost data would accompany every program of uniform accounting. As has previously been noted, however, one out of five associations that engage in uniform accounting activity fails to undertake this collateral activity,²⁷ and a considerable number of those that do collect such statistics do so to a limited extent. On the other hand, many associations undertake the collection of cost or financial data without the benefit of a uniform accounting system. To obtain financial data on a reasonably

²⁶ United States Department of Commerce, Trade Association Activities, Domestic Commerce Series, No. 20 (1927), p. 34.

²⁷ Above, p. 257.

comparable basis is not difficult in most cases, inasmuch as balance sheets and profit-and-loss statements tend to have a uniformity of character not found in more detailed records. The collection of detailed data on cost of production ordinarily is more difficult, although in some industries the accounting practice has attained of its own accord sufficient uniformity to make this reasonably easy; and, even if this is not the case, it is often possible to develop a schedule form that will reflect costs with a fair degree of comparability. Many such studies, however, have shown such an obvious lack of comparability that they have been discarded as worthless. When the study has been undertaken for a particularly important reason, members of the staff or outside accountants employed by the association may visit each firm and prepare the cost data rather than trust the firm's interpretation of the schedule.

Character of cost studies and cost statistics.

The terms "cost study" and "cost statistics" tend to be synonymous. A cost study is always based on the collection of cost data but does not always result in a statistical presentation of the findings. On the other hand, some cost statistics can scarcely be dignified as "cost studies," because little more is done than to mechanically compile the submitted data and distribute them to the industry. Cost studies or statistics may be collected occasionally or periodically. They may cover one firm, a limited group of firms, or a large part of the industry. They may deal with balance sheet and profit-and-loss statistics with only an incidental reference to costs or they may deal exclusively with costs. They may deal with only one element or process in the cost of production or distribution or they may deal with all elements in the total cost of the product. They may be presented statistically as industry, or subgroup, averages, or the cost of each firm may be shown separately. The statistics may be accompanied by limited or by elaborate comment and suggestion.²⁸

Occasional and periodic studies.—The occasional cost study probably is undertaken by a larger number of associations than is the regular, periodic collection of cost statistics. The study is directed toward a particular problem, such as the determination of the difference in cost between a new and an old manufacturing process or the determination of the average costs in an industry for the purpose of establishing or revising a base-price list. Although the occasional study often has an industry-wide significance and is made available to all the members of the association, it is often directed at a specific problem which some group in the industry wishes to isolate and study through the media of cost data. Periodic studies most commonly are annual studies, although some associations issue monthly cost statistics, and one association was encountered that issued weekly statistics. The annual studies usually cover a large part of the membership and often exhibit financial rather than cost statistics. Monthly statistics ordinarily are obtained from a smaller part of the membership and may be distributed only to those who furnish the data; usually they deal exclusively with cost data.

²⁸ This review of cost studies and cost statistics is based on an analysis of the activities of the group of associations whose cost manuals, or accounting systems, have been discussed (see above, p. 260); and on a number of studies and statistical exhibits submitted with the basic questionnaire.

Coverage.—The purposes of some studies are served by covering the costs for one or a few plants only. An example is afforded by a recent study conducted in one of the paper industries to determine the economy effected by one firm in the use of a new process. The results of this study will be presented, not as typical of what every plant may anticipate in the use of the new process, but merely as indicative of possible savings. The coverage of some studies is limited to those members who subsequently meet to discuss the statistics. Here the members are concerned with the costs of each individual participant rather than with the average cost of the group. Such studies usually are not disseminated beyond the group who supply the data. As one trade association secretary explained:

We do not disseminate such statistics because we recognize that the sample may not be representative of the industry, and we are aware that, if they are distributed to those who did not participate in the discussion of them, they may be so interpreted.

There is a tendency among associations with large membership to assume that their studies are representative merely because they cover a large number of firms. When a sample fails by any considerable degree to attain complete coverage, the question arises whether it contains a reasonably balanced proportion of firms by size of firm, by geographic areas, by different product lines, by degree of integration, etc. Some studies admittedly are not representative. One trade association executive pointed out that firms in one region were very dissatisfied with cost statistics showing national average production costs, because they believed their region was inadequately represented in the sample. Another executive, in referring to the association's statistics on profit and loss and operating ratios, stated that in his belief the statistics were not representative because many of the firms that had lost money failed to report. It is probable that a considerable number of the studies presenting averages, particularly national averages, are based on inadequate samples. Needless to say, the statistically minded trade association executive is particularly vigilant in this matter, and if the sample is inadequate takes care to develop that point in his releases.

Character of data.—Cost studies and statistics vary greatly both in terms of the data covered and in the manner in which these data are presented. They may be confined to a single component of cost; they may include all the elements of cost; or they may deal with financial statistics, treating costs only incidentally or not at all. In some studies the data are presented by region, by type and size of firm, or by showing the costs of each firm; other studies show only averages for the entire group. The statistics may be presented with no analytical or descriptive comment, or comment may be detailed.

Studies covering a single component of cost, such as labor, material, overhead, or a single process or operation in the manufacture or distribution of a product, for the most part are occasional rather than periodic studies. In some instances these studies are conducted as a basis for the personal exchange of cost experience. In such instances the statistics usually are arrayed by firms, the textual comment being limited. If no group discussion is contemplated or if it is desired to disseminate the data among nonparticipating members, the statistics may be accompanied by comment describing the conditions peculiar to each contributing firm, and reciting such experience of these firms

as may be helpful in interpreting the data. Some single-component studies are designed to serve as a basis for cost or price estimating. In such cases only average costs may be shown. Thus, one association disseminates statistics of average burden costs by departments for use by those members who do not have adequate records of their own. The data may be disseminated in price lists as, for example, in the form of price differentials for different types of package or packing. On occasion the study results in no formal presentation, the association merely stating in effect that, on a basis of the study conducted, such and such a cost appears to be a representative one.

As in the case of studies dealing with a single component of cost, studies covering all or a large number of the elements of cost of a specified product sometimes are undertaken as a preliminary to group discussion. In such cases costs usually are shown by firms. Compared with group-discussion studies other studies are more apt to cover a large number of firms, to be periodic, and to be disseminated to the entire membership of the association. While typically the product is closely specified in these studies, in some cases the specifications are so general that the statistics reflect only the cost of a group of products, such as the cost per M feet of lumber without regard to specie, grade, or manner in which dressed. The data usually are presented in the form of group averages and are sometimes accompanied by averages for regional or other subgroups. In a limited number of cases typical or median costs and the range of costs are given.

Studies covering financial statistics in most instances are annual, periodic studies. Collected from as large a group as possible, they usually are disseminated to all members of the association. These studies typically include balance-sheet and profit-and-loss statistics, and most of them present operating ratios and other figures indicative in a general way of the cost of doing business. Thus, in a merchandising group the ratio of each item of expense to the sales dollar may be shown; in a manufacturing industry operating expenses may be given in terms of cost per gross ton of material fabricated or per net ton of shipments. Most of the statistics are presented as weighted averages,²⁹ although data for individual firms (coded to conceal identity) occasionally are presented in addition. In one of the studies examined arrays of operating ratios for about 100 firms were exhibited, together with averages for subgroups by size of firm and for the group as a whole. Another association showed the figures for each of 33 firms, as well as the group average and the low-high range of costs. These examples, however, appear to represent exceptional practice, the common practice being to present weighted averages for the entire group frequently with similar averages for subgroups based on the size of firm.

As with studies covering the costs of specific products or specific, single components of cost, the comment accompanying this type of study is descriptive in character, although at times it grows analytical or advisory in tenor, as does the following excerpt from comments published with one such study:

²⁹ The financial or cost data usually are collected on forms on which the amount of each financial or cost item is reported. These reports are simply aggregated into a composite report for the industry or for subgroups. Production costs when involved are computed by dividing the cost aggregates by the number of units of production of the reporting group; financial data are combined in the same manner, the ratios or other averages shown being related to the reported dollar volume of sale, investment, etc.

Why is it that one group of firms in our business can make a decent net profit while another group dealing in the same commodities in similar or the same market, either just about breaks even or goes into the red? The answer is plain. The firm in the first group *takes its reasonable profit and uses same to develop its business and to repay management for its hazards and to develop a cash position which pays big dividends in the collection of bonuses, [cash discounts] as compensation for the prompt payment of its bills.*

The break even or loss group *gives the profits away in the form of unearned discounts to customers and is seldom in a position to collect the cash bonuses available to the first group.*

One of the most elaborate studies encountered is an annual release prepared by one of the graphic arts groups. This publication includes balance sheet and profit and loss statistics, as well as statistics of departmental costs. It has been carried on since 1921, and the 1939 publication contains statistics contributed by some 400 firms in the United States and Canada. These statistics are displayed in some 27 tables and are accompanied by a well-rounded textual discussion, explaining how the individual firm may use the statistics to evaluate its own position. For example, it explains how balance sheet ratios may be used in determining whether the proportion of debt relative to net worth is too high, whether current assets are sufficiently great relative to current liabilities, and whether accounts receivable are low or high compared with sales.

Widely disseminated cost and financial statistics for the most part are presented as averages for the entire group and are frequently accompanied by subgroup averages based on size of firm. Averages by regional groups are shown in a relatively small number of cases. One secretary explained that while regional groupings would be of value in analyzing the statistics such averages were not shown because some regions might appear to so much better advantage than others that members from less profitable areas might invade the more favored regions. This reason is similar to that given by some trade associations for not displaying regional break-downs of trade statistics. Regional break-downs not only reveal significant cost differences but also make possible a more satisfactory appraisal of the representativeness of the national sample. This and other types of subgroupings would enhance the value of cost statistics in many industries, and together with low and high costs, or arrays of individual costs, would tend to prevent superficial and misleading comparisons of individual with group experience.

Uses of cost studies.

Reference has already been made to the use of cost studies in connection with the development of price lists and cost estimating devices. Most cost statistics serve the dual purpose of enlivening the member's consciousness of the relation of cost to price and of stimulating his interest in the better and more economical management of his business. There are numerous examples of cost studies that emphasize one or the other of these aspects, but there are few which in some degree do not serve both ends. The typical association recognizes both objectives as desirable and, though its principal program may be that of educating the members to sell above cost, it is rarely unconcerned with the possibility of effecting greater economy in costs and in otherwise contributing to the soundness of management through cost studies. The examples cited below are largely confined to studies

of production costs. Studies of distribution costs are comparatively few in number and usually are very general in character.³⁰

Stimulation of economics.—A trade association secretary who frequently conducts cost studies for limited groups within his membership stated that such studies were designed only as a basis for the exchange of cost experience in the interest of determining the most efficient practices in production. He stated that he had achieved a reputation for blunt honesty, because when some of the contributors to such studies had asked him whether there wasn't some way in which the price could be fixed on the basis of the studies he told them that he wasn't going to jail just because they wanted prices fixed. Many of the association staffs interviewed were enthusiastic about the cost studies they had conducted and were quite ready to cite specific examples of results attained or hoped for, some of which are noted below:

According to D. S. Hunter Associates, a study of the cost of producing steel barrels revealed that electric welding was so much less expensive than acetylene welding that the entire industry switched to the electric welding process.

A study was recently undertaken by the staff of an association for a paper industry to determine what savings result from the use of a new process with which one member is experimenting. The secretary of the association stated that his findings indicated that the savings were very substantial and would probably result in a reduction of from 2 to 3 percent in the total cost of the product. He is also conducting a study on the use of certain new methods of mixing colors used in the manufacture of the same article. As soon as these studies are completed he plans to make the conclusions available to the membership of the association.

An active group of a millwork association met frequently to compare their costs. One member noted that his lumber wastage was a consistently high element of cost. Repeated efforts on his part had failed to disclose the reason for this. Finally another member visited his plant and discovered that one of the machines was being run at a speed so great as to result in an excess of defects in the finished material.

Another millwork group, which has a very active cost committee, has instituted a series of studies dealing with the relative cost of material produced from different grades of lumber. It has found that while the use of high grades results in the least waste, they do not yield the lowest cost of material in the finished product and that by judicious planning of the production program lower grades can often be used to advantage.

A cost study conducted by a group in a rubber products industry disclosed that one member enjoyed exceptionally low material costs. It developed that he had substituted less expensive but equally satisfactory material for that commonly used in making the product. His experiment with this substitute material has led to its use by others and, according to the association, the cost of producing the item has been substantially reduced.

Most parts entering into the assembly of a certain type of enclosed electric switch were produced in the same plant. There was one item (the enclosure)

³⁰ Because distribution cost accounting is still largely confined to the formulation of principles and methods, the basis for the collection of distribution cost statistics is relatively undeveloped.

The Bureau of Foreign and Domestic Commerce as early as 1928 was active in conducting studies looking to the development of distribution cost accounting systems. Most of these studies were conducted with the active cooperation of trade associations and dealt with distribution costs in wholesale and retail trades. The surveys covered paint, electrical goods, candy groceries, dry goods, and drugs. The Drug Store Survey, undertaken in 1933 with the cooperation of 33 trade associations in the fields of wholesaling, retailing, and manufacturing, was the last and the most thorough of these surveys.

that represented a substantial part of the total cost of the finished product and which one manufacturer purchased in its fabricated state. The costs of other manufacturers revealed that it could be manufactured at a much lower cost than it could be purchased, and the manufacturer accordingly undertook to produce his own enclosures.

Members of an association manufacturing milk bottle tops, upon which various colors of printing appeared, had long been faced with the problem of matching the various colors suggested by the customers. A cost study was undertaken to determine the magnitude of this cost, and the figures were so startlingly high that the association developed a standard color chart. The use of this chart dispensed with the need for matching colors, thereby effecting a substantial saving in manufacturing cost.

Several association executives mentioned the use of cost statistics as a basis for securing lower rents for their members. The landlord was confronted with statistics that disclosed that the rental the particular member was paying constituted an expense relatively much above the average for other firms in the same business. The landlord was faced with the argument that he could not hope to collect rent for any great length of time from a tenant who was as a distinct competitive disadvantage, and not infrequently, it was stated, a substantial reduction in rent was obtained.

Recently a millwork jobbers' association initiated a study to determine whether it is more economical to furnish salesmen with cars than to have them furnish their own cars and reimburse them on a mileage basis.

A study dealing with distribution costs was completed by a flour millers' association which, according to the secretary, showed that the cost of selling through branch sales offices was greater than having the salesmen operate from the main office. This has led a number of firms to change to the latter method.

Several cases were cited in which the results of a cost study led manufacturers whose costs of making a particular product were extremely high to discontinue its production and concentrate on other items.

There is almost no type of cost study that may not excite the individual's interest in appraising his own costs. Even the more generalized studies, such as those displaying financial statistics and operating ratios, tend to stimulate over-all evaluation of the firm's efficiency and a searching of management as well as of manufacturing practice. Such introspective surveys tend to dissipate delusions that are likely to create stagnation and, when coupled with the active exchange of personal experience between members, should result in a healthier industrialism.

Cost studies directed primarily toward price determination.—Several examples of cost studies that had as their primary purpose some aspect of price determination may be cited:

In the manufacture of printing ink it was once the practice to give free samples of the various inks and to match various inks used by consumers without charge. The association executive and some members recognized that these were costly gratuities. A cost study was undertaken, which revealed the cost of the practices to be so substantial that the membership thereafter, so far as the association executive knew, followed the practice of charging for these items.

It has long been a common practice among jobbers of a certain kind of building supplies to quote a price delivered to location specified by the customer and to allow any customer taking delivery at the jobber's warehouse a reduction in the price to cover hauling charges. Many jobbers follow the practice of deliver

ing the material to the customer's location, at the same time allowing the customer to deduct the unearned hauling charge. The association staff and a number of the members are anxious to see this practice discontinued and accordingly it is planned to make a cost investigation to ascertain the cost of delivery service, with the hope that once the jobbers recognize the cost of this concession they will no longer continue to grant it.

In another case the traditional method of quoting prices was changed as the result of a cost study. It had long been the practice in pricing bread wrappers to charge according to the number of colors used in printing them, the one-color wrapper being lowest in price, the four-color, highest. The amount of ink coverage on the wrapper was not recognized in the price. A cost study disclosed that where it covered a large area of the wrapper the ink constituted as much as 30 percent of the cost of materials. The association at first found no unanimity among its members in favor of changing from the old method of quoting prices, but after a meeting of the membership, which involved a 3-day discussion of the cost study, a new pricing plan was adopted that recognized ink coverage as the primary factor and the number of colors as a minor factor in price quoting.

The use of cost studies as a basis for charging "extras" is somewhat analogous to their use in the formulation of base-price lists. The "extras" ordinarily do not comprise a large part of the total price but nevertheless are substantial enough to constitute a margin for price concessions, concessions that not infrequently are regarded as undesirable by trade associations. One association has among its active committees, the "Committee on Extras." In one of its reports the Committee stated, "At the request of an Association member, the Committee on Extras had been requested to investigate the costs of packing goods in cellophane. In line with the cost information obtained, the Committee on Extras recommends that the following charges are necessary in order properly to cover these costs." There followed a list of the suggested charges, which, so far as is known, constituted all the statistical material relative to the study that was disseminated to the membership of the association. The report quoted is similar to another made by the same committee and indicates a more or less continuous activity along this line.

An association in one of the paper product industries in 1938 prepared a study entitled "Planning for Profits." This study, which was based on a hypothetical but reasonably typical example of a firm in the industry, was designed to show how to construct and use a so-called "break-even chart" in forecasting profits. The break-even chart is a graphic method of plotting cost, production, and price so as to indicate the point in its volume of production at which a firm will "break even," that is neither make nor lose money. Any alteration of price or of cost, shifts the break-even point in the chart. This study³¹ was designed among other things to educate the members in the theory of the significance and use of the chart as a groundwork for a more pointed study that followed. The later study presented a condensed operating statement for the entire industry based on statistics collected for the 1938-39 season. On the basis of the 1938-39 figures and an estimated demand for 1939-40, a projection of the 1939-40 season was made with charts showing the break-even points at various levels of price and cost. The conclusions stated in the study best signify its purposes:

"1. The industry as a whole lost a minimum of \$1,250,000 in the 1938-39 season.

"2. The major cause of this serious loss was an average price of \$6.65 per 100 rolls which failed to cover actual costs by 36¢ per 100 rolls.

"3. A reasonable anticipation of 10% more volume for the 1939-1940 season will still leave the industry 'in the red' with a loss of \$806,000.

³¹ The study manifestly was concerned with unprofitable prices and had this to say of price cutting: "This matter of reduced prices brings to mind the prevalent idea that the effect of lower prices on profit may be readily offset by increasing volume. To prove once and for all the fallacy of this widely held viewpoint as it applies to the * * * business, the chart shown in Figure 17 is prepared." The chart was then discussed, and it was pointed out that, "The dangers of a price cutting program are clearly seen. There is vividly pictured the greatly disproportionate volume increases that are required if minor price reductions are not to result in the elimination of profits. And the futility of price cutting to stimulate profitable volume is demonstrated."

"4. Raw material prices have already advanced from 15% to over 200%. Other increases may be expected unless a different market condition should exist in the near future.

"5. Before even thinking of profits, the Industry must first adjust its price to avert a loss like last season's, and then cover itself for advancing material costs.

"6. To do this will require an average selling price of at least \$7.15 per 100 rolls and will result only in an even break—no profits.

"7. An average selling price of \$7.50 per 100 rolls will be required to earn a nominal profit of 5% on sales. This price represents a 12- $\frac{3}{4}$ % increase over last season's price.

"8. Volume is important. But it will not solve the Industry's problem. Only an adequate selling price will produce the net return that has now become so imperative."

The association accompanied the study with a memorandum in which it stated that "While we believe that this Industry analysis is of vital interest to every manufacturer, its figures and charts should not be confused with the demands or characteristics of any individual manufacturer's situation or outlook. * * * We will be glad to work out the analysis of any individual manufacturer's position on the basis of his own figures * * *."

It is the practice of a regional association in the photoengravers' industry to collect cost statistics and sales figures each month. These are distributed in the form of group averages. In addition to this, the secretary prepares for each member a report that analyzes the factors that cause his cost or sales value per unit to differ from the group averages. The individual firm's unit value of sales is compared with the group average, one of the factors equated being the difference by which it priced at above or below the average price for the group. This type of analysis keeps before the individual an appraisal of his pricing policy and presumably is designed to encourage those notably below the average price to raise their prices, particularly if their costs were higher than the prices they were charging.

The use of cost statistics in formulating price-estimating devices is illustrated by activities of an association of manufacturers of paper boxes in promoting the use of an estimating manual based on an earlier cost study. The manual, it was explained, "is a pricing manual rather than a cost manual. The main idea we kept in mind in preparing this manual was to make it as fool-proof and simple as possible. A person without much knowledge of the business can figure prices on this manual.

"No doubt the manual will be condemned by cost accountants because of inaccuracies, for accuracy was sacrificed for simplicity. It is difficult for a cost accountant to see beyond his figures and make allowances for the human factor in business."

The suggested objective of this particular device was not explicitly stated, but the inference seems clear from the following:

"At the conclusion of his address, Mr. * * * spoke of the value which had been derived by manufacturers on the Pacific Coast from the use of the * * * figuring list published by the San Francisco Division several years ago. This list, he stated, was valuable to any * * * manufacturer, no matter what his location might be on the Pacific Coast. All that he had to do was take off a discount from the list in order to give a price in keeping with the general price trend in the trading area in which it was used, and every manufacturer would obtain a fairly uniform price and every customer would receive a price for the commodities he bought which was based on a reasonable profit and which price would be reached without discrimination between customers. All would fare alike.

"Mr. * * * stressed the point that the Manual produced an average price and asserted that, although the cost on a certain order might not be entirely correct when taken alone, the price reached by using the Manual consistently would produce an average and equitable price, not only to the manufacturer but to the consumer, which is a point worthy of more than passing consideration." At this same convention it was unanimously resolved that:

"Manufacturers on the Pacific Coast shall be requested to use the * * * Manual as the basis of figuring * * * boxes on the Pacific Coast." [At a later meeting it was reported that the manual was extensively used in the industry.]

A local association of bakery firms undertook a cost study described by its secretary as follows:

"In this cost survey, every item of expense in their entire production was established. Then the larger operators' cost was averaged in one group and the smaller operators in another group. Then the two were averaged together, giving an equalized retail and wholesale price of bakery products for the entire trade area. This has permitted the smallest operator to continue in business, obtaining a proper margin of profit for the sale of his products.

"I have plenty of evidence at hand that this arrangement has been very beneficial to the small operator and in turn, of course, has been unquestionable in the operation of the larger plants. This trade area's market has now been stabilized for a period of five years to the complete satisfaction of the industry, the allied trades and the consumer."

Cost studies exhibiting average costs, typical costs, and the like no doubt are used by some members of associations as a basis in determining price, whether or not such is the objective of the study. Most studies avoid suggesting such use, and some warn definitely against the use of averages except as bases for cost comparison. The tenor of the releases of some associations, however, in themselves suggest such uses. Such a release is the following:

Press rates for 1939.—It has been suggested by a lithographer operating in a low-cost area that the press rates as shown below are those that he would operate under during the year 1939. The rates as shown, "according to the lithographer," make provision for the increases he put into effect to take care of social security, taxes, etc., etc. [The table of rates followed.]

Another association in one of its releases exhibited the following without comment:

Cost of Eastern wheat delivered, Raleigh, N. C.-----	84½¢
4.7 bushels equal-----	3.89
Deduct value of feed, at \$24-----	.91
	<hr/>
	2.98
Add for sacks-----	.20
Add for manufacturing and selling costs and taxes-----	.98
Add for profit-----	.25
	<hr/>

Quoting basis for 55 bbl. lots delivered Raleigh, N. C.----- 4.41

Other uses.—Perhaps unique among other uses of cost information is that to which some members of one association suspected their statistics might be put. This association was one of several staffed by a management group. The association wished to collect profit-and-loss and balance-sheet statistics for the industry. The members, however, voted against the suggestion stating that—

It was felt that [the management firm] might obtain some benefit by using these figures for sales promotion purposes in putting out to other industries what had been accomplished in the * * * industry.

Among associations composed of both manufacturers and distributors, it is not uncommon to use statistics showing the merchandising costs of distributors for the purpose of obtaining larger discounts from the manufacturers, or of determining what the discount from the manufacturers' list should be on new items not yet merchandised. Associations composed only of dealers also use their cost statistics in this manner. Cost and financial statistics have been used for public-relational ends.³² They have been used in efforts to have import

³² One association in the food industry, for example, warned its less prosperous members to be sure and submit their data on earnings, since a study including only prosperous firms would make a bad impression on the public. In a release to its members it warned them that "It is a serious matter to every [member] * * * if * * * earnings are shown in exaggerated fashion. Ours is a politically vulnerable industry as we all know. * * *

duties revised or to oppose their revision. They have been gathered in the interest of group defense against unfavorable legislation, as, for example, were the studies undertaken by several chain-store groups, which collected and compiled statistics covering a considerable number of financial and expense items for use in opposing chain-store-tax legislation.

DEVELOPMENT AND PROMOTION OF THE ACCOUNTING PROGRAM

Uniform accounting.

The building of interest in uniform cost accounting is time consuming, and the inauguration of a system may be preceded by years of study and effort. Association publications dwell on the need for uniform accounting; experts are brought in to address conventions; officials of leading firms in the industry discuss cost problems at meetings and recite their experience in accounting and their opinion of the need for adequate accounting. Thus, interest is stimulated to the point where approval for the study requisite to development of the manual is obtained. This project may be placed entirely in the hands of an accounting firm, but more often it is undertaken by the staff of the association or placed in the hands of a committee of members.

The practice of centering the work in an industry committee offers certain advantages. The committee brings to the task an intimate knowledge of industry problems and, if it is representative of the industry, in the course of discussion and compromise it is most likely to arrive at the common denominator of practice needed to fit the requirements of the industry. The industry, moreover, is more likely to accept the cost system when the members have had a direct part in its creation.

The more you can enlist the activity of your members—
said one association executive—

the more of a proprietary interest they assume and the more pride they take in the success of the project. Even if I felt that I could do a better job without their help, I would not undertake it without their participation.

Sometimes, however, the committee is not representative or is dominated to such degree by some one member that results are less satisfactory. Thus, one manual developed by a committee was so much like the elaborate system of one company represented on the committee that many in the industry referred to it as the "—— company's system" and generally gave it a cold reception. A new committee was formed more to the taste of the rank and file members, with the result that an abridged manual was prepared and well received.

The manual, no matter by what agency it is prepared, emerges in its completed state in most cases only after a considerable period of time. Field research among the members, including study of systems which they already employ and of their individual problems, is often undertaken. Then, too, there may be correspondence with members asking for their opinions on certain practices. Sometimes preliminary sections of the manual are submitted for their scrutiny, and in other ways their advice is solicited and their interest stimu-

lated to insure their ready acceptance of the manual when it is completed.

In the installation of cost accounting systems, some associations do no more than distribute the manual to the members, leaving it to the member to undertake his own installation. In most such cases the system is never widely installed, although the manual may be used as a reference book if it is properly designed for such use. The secretary of one association stated that he believed less than 1 percent of the membership was utilizing the cost system. A number of association executives who had merely distributed the manual were unaware of the degree of its use in their industries, but in the opinion of most of them such use was very limited. Some associations go a step further and recommend an accountant that members may employ to assist in the installation of the system. This may stimulate the use of the system, particularly if the accountant is already acquainted in the industry and is a persuasive salesman.

Most associations, however, participate actively in the installation of the system. For example, one association employed as many as 30 accountants at the peak of its efforts to install its system. This association still retains a small accounting staff but no longer makes installations, leaving this to be undertaken by the individual member or by affiliated local associations. A considerable number of associations at present furnish free the service of staff accountants for installing their systems; others make a charge for such services, which usually is much below that of private accounting firms. In one case the association accountant spent 2 months studying a large firm's system and demonstrating the manner in which the uniform system would increase its efficiency. After this study was completed the firm agreed to the installation, which the association made without charge.

Many associations recognize that in installing the system it is sometimes dangerous to follow the manual too literally and accordingly adapt the new system to the needs of the particular firm. Such a practice usually facilitates the operation of the system and insures its continued use. A further precaution may be observed by encouraging the members to call on the association for assistance when problems arise in the operation of the system. Associations promoting uniform accounting also find it desirable to keep the system abreast of changes in the industry by revising it as occasion demands and to service their members in making such alterations in practice as the revisions indicate.

The manuals of most associations are available to nonmembers, although in most cases in which the manual is free to members, nonmembers are charged for it; or, if there is a charge to the membership, the nonmembers are required to pay a higher price. In some instances the association undertakes installation for nonmembers, but little free service is offered them, and charges usually are at rates higher than those available to members. Most associations would like to see all members of the industry adopt the uniform system, believing that the more widespread the use, the greater the benefit accruing to the membership in terms of industrial stability and more educated, and hence less destructive, competition. However, few associations are prepared to offer expensive service to nonmembers without charge, both because of budget limitations and because too much

free service may retard rather than stimulate their desire to join the association. One association has been particularly successful in holding its small members by means of a very effective but simple book-keeping system which it devised. The system is free to members but not available to nonmembers. The forms (copyrighted by the association) used in the operation of the system are available to members at cost; nonmembers cannot buy them. Many small members as a result have continued their membership in order to be able to purchase the forms.

It is necessary not only to stimulate wider use of the uniform accounting system but also to encourage those who have already adopted the system to continue to follow it, particularly small firms that find record keeping burdensome and expensive. As in the development of a uniform accounting system, the work of the association staff in promoting its use is often supplemented by that of the accounting committee. Various means are employed to arouse and sustain interest in uniform accounting, among the most common of which are the discussion of accounting problems in association releases, the collection and dissemination of cost statistics, and group discussions, sometimes referred to as "cost clinics." Some associations employ traveling accountants to assist members with their accounting problems, and a larger number furnish advisory service by correspondence. Among associations composed of both manufacturers and dealer members, the manufacturers in some instances have actively endorsed an accounting system devised for the dealer members, and in one instance the jobbers of a certain type of contractors' supplies through their salesmen have urged the members of the contractors' association to adopt the uniform system devised by that association.

Publicity through bulletins and other releases, while not always effective by itself, when supported by the collection and dissemination of cost statistics may do much to promote uniform accounting. The group discussion, or "cost clinic," is a popular device for promoting both uniform accounting and cost studies. National associations having regional or local affiliates encourage them to conduct cost discussions and often send staff members from the national office to lend assistance. Among associations with large or geographically scattered membership that do not have regional or local groups, it is a common practice to arrange group meetings in different areas to be conducted by a member of the association staff. Many associations also conduct cost clinics at the annual conventions.

Cost studies and statistics.

In promoting cost studies, associations encounter difficulties somewhat different from those found in uniform accounting programs. Some businessmen regard cost or financial data as highly confidential. Others shy away from the amount of work required to prepare the information. The collection of cost statistics in the field is expensive, and members frequently do not wish to have their records scrutinized by outsiders. Most associations that have successfully inaugurated the collection of cost statistics employ their own staff to compile and present them. Some, however, have the work done by outside accounting firms, either because members are more willing to submit statistics to such firms or because the association staff

is too limited to undertake the work. The executive of one association, which for many years has employed an accounting firm for this work, said that the association's staff was being enlarged in order to do the work itself, because in this manner the basic data could be more easily and correctly appraised and the presentation could be made more significant from the standpoint of the industry.

Cost statistics, with few exceptions, are collected by the questionnaire method. These questionnaires in some cases are unaccompanied by instructions, but, particularly where no uniform accounting system is employed by the industry, instructions may be included that are very detailed. There may be included formulae for calculating certain items of costs, which may be followed by supplementary questionnaires designed to ascertain what was included in various items of cost. When the questionnaires are returned it is the practice to note any items that appear disproportionate in size and any obvious errors. Explanations and corrections usually are obtained by correspondence, although if the members are willing and the study covers only a limited number of reports the association staff may visit the firms and compare the reports with their records. This, however, is not a usual practice, and it appears that in the interest of accuracy and comparability more field audit is desirable.

As mentioned earlier, cost statistics based on a study of limited groups within the association may be distributed only to those members who contributed to the study. Studies that are broader in scope usually are disseminated to all members of the association and sometimes to nonmembers as well. In fewer instances does the dissemination extend to parties outside the industry. The secretary, even when free to distribute the statistics widely, is confronted with certain problems. He feels that a wide distribution of statistics to nonmembers may arrest rather than stimulate their desire to join the association. Likewise, he may limit their distribution to participating members, because nonparticipants may cooperate in the studies more readily if they cannot otherwise obtain the cost studies. Restricted dissemination in other instances probably has been motivated by the desire to keep the data out of the hands of customers and other parties outside the industry to whom they might prove valuable in their dealings with members of the industry.

Some regional and local affiliates or chapters carry on cost study programs that are more intensive in character than those of the national or parent association. They may collect statistics at more frequent intervals than the national association and meet more often to discuss the data. The secretaries of such associations generally are in much closer contact with their members and sometimes make analyses of the costs of each member and otherwise assist him in interpreting his costs in the light of the average for the group. To all such activities the national association usually gives substantial aid and encouragement, and it is probable that within these local or regional groups the accounting program attains its greatest effectiveness.

OBJECTIVES OF ACCOUNTING PROGRAMS

Trade association accounting programs have many purposes and uses. They may represent a contribution to sound and economical accounting practice in the purely professional sense. They may facili-

tate the development and maintenance of adequate financial records and thus enable members of an industry more effectively to demonstrate their competence and capacity as credit risks. By providing forms or classifications for recording pay roll, production, and sales data, they may make easier the collection by the association of comparable labor and trade statistics. They also may facilitate the presentation of cost or financial statistics to governmental bodies, which data, in turn, may serve promotional and public relational ends. These and others represent the less obvious and occasional objectives of accounting programs, whose significance is overshadowed by two other objectives. These are (1) the maintenance of profitable and stable prices and (2) the stimulation of economies. It has already been pointed out that both of these objectives play a role in most trade association accounting programs.

The maintenance of stable and profitable prices.

Few cost programs have been undertaken by trade associations without reference to the price structure of their industries. One association voiced sentiments to which the majority probably subscribe when in one of its releases it made the following announcement:

The first of a series of Cost Clinics will be held * * * on the evening of November 1. All [members] have been invited to attend, and it is hoped and believed that holding such meetings and delving into the anatomy of costs may result in placing the price structure of our industry on a sounder basis. We do not believe in illegal price fixing, but we are strong believers in the profit system and the relegation of Santa Claus to his legitimate sphere.

Among the tenets of fair trade practice there is none so frequently encountered as that which holds that selling below cost constitutes unfair competition. This concept had been fostered long before N. R. A. Earlier cost accounting programs did not overlook the opportunity to stress the need for price competition based on costs,³³ and some trade associations explored and to some degree exploited the various means by which the accounting program could be used to implement price control. With the advent of the N. R. A., industry generally endeavored to establish minimum prices. As originally proposed by many industries, these prices were not always associated with cost and were to apply uniformly to all members. With few exceptions, however, the N. R. A. refused to approve minimum prices that were unrelated to costs and opposed uniform cost floors for prices. Of the over 700 codes and supplements approved by the N. R. A., 421 contained prohibitions against selling below cost. Most of these codes prohibited the individual member from selling below his own cost, although 41 industries succeeded in stipulating what in effect were industry minima, variously described as "reasonable," "lowest reasonable," "lowest representative," and "average" costs in manufacturing industries, and as "uniform mark-up," or "manufacturers' or whole-

³³ One accounting manual published in 1928, for example, had this to say of price cutting: "Of all the problems which face those who are engaged in [this industry] there is none which so intimately and acutely forces itself to the front as this problem of price-cutting. * * *

"It is not here contended that an accurate knowledge of his costs will immediately convert the ignorant price-cutter into a modern businessman, but it has been proved beyond a doubt that it will have this unmistakable tendency over a period of time. The man who knows the facts about his business is much less likely to make foolish and childish mistakes than one who lacks this knowledge.

"This manual is therefore presented to the industry in a constructive effort to correct or at least ameliorate some of the conditions from which it is now suffering."

salers' list price," in the distribution trades. The N. R. A. permitted few of these industry minima to be made effective. As a general rule, code prohibitions against selling below cost could not be made effective until N. R. A.'s approval of uniform accounting methods had been received. Less than half the industries whose codes contained the prohibition against selling below individual cost presented cost accounting systems or formulas for N. R. A. approval, and of those presented only 40 were approved. Of these only 29 were in effect at the time of the Schechter decision declaring the codes invalid.

The N. R. A. experience indicated the shortcomings of the accounting device as a means of price control when the cost of the individual member was the basis for minimum price. The code authorities recognized that as a basis of price control the individual member's cost was a matter difficult of determination and proof; and that the proviso permitting members to sell below cost to meet competition, almost uniformly included in the codes, if literally applied would have made it practically impossible to effectively administer the price control and theoretically would have resulted in an industry price floor at the cost of the lowest-cost producer, which would have had little appeal to producers with relatively high costs. The result was that, thwarted in their efforts to base minimum prices on "average," "reasonable," or "representative" costs, many industries devised cost accounting methods that were disapproved by the N. R. A. because they included artificial cost items or arbitrary bases for calculating cost that would have had the effect of establishing higher and more uniform costs for the industry. Many of those industries whose cost accounting systems were approved either abandoned their effort to apply them to achieve price control or applied them in ways that were arbitrary and inconsistent with what the N. R. A. had approved.

After the invalidation of the N. R. A. many industries that, officially or unofficially, had initiated accounting programs during the life of the act permitted them to lapse. Despite these casualties, the net result of the N. R. A. without doubt was an increase in the accounting activities of trade associations. From attempts at rigid control, emphasis shifted to the educational and informational values of accounting activities in promoting price stability.

Nearly all trade association executives actively promoting accounting who expressed an opinion concerning the significance of the program indicated that it tends to stabilize prices, though many indicated that the promotion of economies among the members of the industry was the major objective of the program. In those cases, however, in which a single benefit of the accounting program was cited, it was usually described in such terms as the "stabilization of the industry," "prevention of below-cost selling," "fairer pricing methods," "elimination of price cutting," or "elimination of destructive competition."

Several devices are employed by trade associations that approach the problem of price stabilization through an accounting program. The wide adoption by an industry of a uniform accounting system obviously may reduce price cutting arising from ignorance of costs without, however, affording a significant measure of price stability due to cost differences among the members. Uniformity in costs is promoted by incorporating in the cost system provisions for current market value for raw materials, industry norms of plant utilization, uniform depreciation rates, revaluation of plant, and average burden

rates. Some cost systems include such elements as interest on investment which may have a tendency to establish uneconomically high cost bases.

Cost estimating devices and price lists based on average or representative costs may be used either as a supplement to or as a substitute for the uniform accounting system. Some cost estimating devices are of a character such that their use results in practically complete uniformity in total costs between the members of an industry; the tendency of others to promote uniformity is limited to certain elements of cost. Base-price lists, though primarily intended to facilitate the calculation of prices on a basis of individual costs, serve to promote uniformity in prices if the individual firms make no effort to ascertain their costs but quote the prevailing discounts in the trade. Price lists covering certain components of the total price, such as package or handling differentials or charges for extras, have similar but somewhat more limited potentialities.

Aside from their importance in the formulation of cost and price estimating devices, cost statistics, particularly of typical, representative, or average costs, have a very direct value in promoting price stability. They are undoubtedly the best medium for establishing a uniform cost basis for the calculation of price. They provide graphic and concrete points for representations concerning the maintenance of prices.

When an association is actively striving to stabilize prices through its accounting program, the promotion of uniform accounting and the dissemination of average-cost information provide a logical avenue to personal contact between the association staff and the individual members. By these means the consideration of pricing policy may reach its ultimate degree of emphasis. Association representatives contact members and discuss with them cost-price relationships and conduct and promote cost clinics and group discussion. Such discussion serves to promote a unanimity of attitude that could seldom be attained were each member to arrive independently at conclusions concerning the proper relationship of prices to his own costs or to those contained in statistical releases.

In short, in any accounting program in which price stability is the principal objective, the uniform cost accounting system is apt to be merely a beginning. It will be supplemented in some cases by cost and price estimating devices, particularly for use by those who have not installed a cost system. More often cost statistics will be employed to activate the program and to provide data around which discussion may be effectively centered. Ordinarily, the cost statistics will represent the focal point of the program. It should be recalled in this connection that although a uniform accounting system seemingly is necessary as a basis for comparable cost statistics, a number of trade associations that fail to sponsor such a system collect and disseminate cost statistics.

So far as was observed, trade association executives generally do not support the idea that circumstances frequently make it desirable that prices be reduced below costs, although some recognize special circumstances, such as the promotion of new products, in which selling below cost is justified. It is fair to add, however, that in their efforts to eliminate below cost selling some have recognized "normal" costs as a basis for pricing, which does permit lower prices during a period

of restricted production than would be the case if prices were based on the costs accruing during the current period. Another idea that seemingly enjoys little trade association support is that decisive price reductions may so stimulate consumption as to bring about lower costs and a more, or equally, profitable business. It is perhaps to be expected that trade associations do not sponsor programs of price reduction designed to stimulate demand. Such programs, which presuppose a given increase in volume at some lower level of price, would require a concert of opinion and action quite as great as would an agreement to maintain prices at a given level. Most industries lack the factual basis that would inspire the belief that lower prices would markedly increase the aggregate volume. On the other hand, they believe that experience has demonstrated that, once precipitated, price cutting for volume is difficult to stop short of levels likely to prove destructive to all; and that programs of readjustment encounter freshly engendered antagonisms, as well as legal obstacles. Hence, about as much as most associations and their members will concede is that as costs decline prices should be lowered.

Stimulation of economics.

It is probable that most associations that have developed accounting programs have recognized their potential contribution in leading members to identify and correct causes of uneconomical operation. They recognize that the lack of sound accounting practice may mean not only underpricing but also hidden inefficiencies and that it may be as much to the industry's interest to foster stability in terms of lower costs as to strive for a stability that is premised on high prices. There are two ways in which the attainment of economies may be approached through a trade association accounting program. One is to make available to the individual member an instrument with which he can independently analyze his own experience; the other is to furnish him with a body of facts from which he can compare his experience with that of other members of the industry.

A sound and adequate accounting system should provide the business enterprise with bases for comparing past with present performance and the tried method with experimental practice. It should provide for a sufficiency of records by which management not only can determine whether current operations are being conducted as economically as possible but also can ascertain the causes for observed differences. It should provide the background upon which sound standards for future operations can be established. For such purposes a system of asset and general operating accounts provides broad measurements by which management can gauge the effectiveness of the firm's activities, but for adequate appraisal of operating efficiency and the discovery of causes for apparent inefficiencies a cost accounting system is indispensable. Some trade association manuals, because they are designed for use by firms so small that a more complex system is impractical, go little further than to provide a chart of general accounts. Most manuals, however, stress cost accounting, and a number of them exclude general accounting considerations, leaving them to be handled by the individual member as he sees fit. Most of the manuals examined that profess to deal with cost accounting provide what appear production, although few include principles for distribution cost ac-

production, although few include principles for distribution-cost accounting. A considerable number of manuals, however, include arbitrary methods for calculating costs that tend to obscure the real costs of the firm and thereby detract from the value of the system as an instrument of analysis. Notwithstanding their limitations, there can be little doubt that the uniform accounting systems sponsored by most trade associations have helped to raise the standards of accounting in the industries to which they are addressed.

A potentially more significant contribution of a trade association accounting program to the stimulation of economies among members of an industry lies in its provisions for the exchange of cost experience. A firm may draw much from its own experience in improving its methods of operation, but frequently it is only by comparing its experience with that of competitors that it can identify areas of inefficiency and apprise itself of measures that will bring about more economical operation. The collection of comparable cost statistics is facilitated by the wide use of a uniform accounting system, although in a number of cases cost statistics have been successfully collected in the absence of a trade-association sponsored system. The extent to which a cost statistics program may stimulate the development of economies depends largely upon the character of the statistics and the manner in which the association presents them. Few cost studies can fail to stimulate some members to compare their individual costs with the other members' costs and to search for the causes which lie behind differences that appear. For such purposes one of the most common types of study, that showing average costs for the industry, generally has the least value. Such studies are more helpful when accompanied by averages for significant subgroups and figures on high and low costs or other data that show the extent of variation from the averages. These break-downs enable the individual member to determine more precisely the nature and extent of the variation of his own experience from that of similarly situated competitors.

Cost studies are most fruitful when members have an opportunity through discussion to develop the implications of the cost data included in the study. Discussion affords an opportunity for each to become acquainted with the advantages and disadvantages in the other members' practice. This mutual exchange of experience may be supplemented by such efforts as are illustrated in the case of a group in which one member was unable to locate the cause for excessive waste in the use of raw material. Other members visited his plant and, after observing operations, advised him that the cause lay in the unusual speed at which one of the machines was operated. Although group-discussion study is the most effective technique for promoting economies, relatively few associations are able to carry on a sustained program of this type. The members of relatively few industries are willing to devote the time that such a program requires and to reveal their individual costs and explain the advantages which these may reflect.

Accounting programs can and do serve to promote both stability in price and economies in operation. Uniform cost accounting systems in themselves may do much to minimize price cutting due to ignorance of cost and at the same time provide a basis for sounder management. Generally speaking, manuals devoid of arbitrary provisions for calculating and combining costs may be regarded as equally significant

in both connections. Manuals, on the other hand, that include provisions designed to lead to greater uniformity in costs among the members of an industry ordinarily may be presumed to reflect a greater emphasis on the price objective. Cost and price estimating devices, sponsored by a number of trade associations, are more directly pointed toward price determination. Cost statistics are almost indispensable to the achievement of either objective, but their potential effectiveness as an instrument for promoting economies to a greater extent than in promoting uniform price policies is dependent on the detail in which the data are analyzed. The intensive application of any accounting program ordinarily is best promoted by personal contacts between the association staff and the membership and by group discussions among the members. Such contacts and discussion may serve equally well to implement programs of price stability and to foster the comparison of cost experience and apprise members of measures by which costs may be reduced.

CHAPTER VII

OTHER ACTIVITIES OF NATIONAL AND REGIONAL TRADE ASSOCIATIONS

Preceding chapters of the present report have discussed the general characteristics of national and regional trade associations, the scope of their activity, and the nature and objectives of trade association programs in the fields of trade practices, statistics, and accounting. The discussion has emphasized these three fields of activity, not because they represent the dominant work of national and regional trade associations, but because it is on them that questions of public policy respecting trade associations have largely centered.

Commanding a greater portion of the time and expenditures of trade associations as a whole are several activities that have been little affected by public controversy and questions of legality. Outstanding among these activities are technical research and advisory services, standardization and simplification, trade promotion, employer-employee relations, and Government relations. The value of these activities to association members has been generally recognized, as have their actual and potential contributions to the public at large. The present chapter attempts to indicate the nature of the work being done in these fields as evidenced by the programs and accomplishments of a number of trade associations. Between these five lines of activity there are, of course, close functional relationships. These relationships are brought out in numerous examples subsequently presented and are commented upon at several places in the text.¹

TECHNICAL RESEARCH AND ADVISORY SERVICES

"Technical," or "industrial," research consists of the analysis of materials and methods with the objective of improving existing products, developing new uses for products, discovering new products, and establishing more efficient production practices. Industrial research in the United States is undertaken chiefly by private corporations, commercial laboratories, universities, foundations, Government agencies, technical associations, and trade associations.

Of 1,244 trade associations² that furnished information on their activities, 542, or nearly 44 percent, reported that they engaged in some form of technical research or advisory service during the period, 1938-1939. Three hundred and twenty-two associations, or 26 percent of all those reporting their activities, engaged in technical research or advisory service to such an extent as to regard it as a major activity. Of the associations of producers, 28 percent reported

¹ For an indication of the relationship of these activities to the trade practice activities of trade associations, see above, pp. 45-46, 61.

² Exclusive of trade associations in the field of insurance.

a major emphasis on this activity, while 11 percent of those of wholesalers and 8 percent of retailers reported that the activity played a major role in their programs. The 10 industry groups in which association activity in this field was most emphasized are as follows:³

Percent of associations reporting major degree of activity

Industry group:

Mining (other than coal) and quarrying-----	64
Paper and allied products-----	57
Lumber and timber basic products-----	46
Transportation, communications, and other public utilities-----	44
Construction-----	41
Stone, clay, glass, and kindred products-----	40
Petroleum production and refining and natural gas production-----	36
Rubber and leather products-----	36
Iron and steel and their products-----	35
Chemicals and allied products-----	35

Although trade association technical research has played a significant role in the Nation's scientific and industrial progress, the expenditures by trade associations on technical research probably constitute a very small part of the total. According to Maurice Holland, Director of the National Research Council's Division of Engineering and Industrial Research, writing in 1938:

By 1920 the number of industrial laboratories had grown to 500, their personnel to 6,600, their annual expenditure to \$25,000,000. This, nonetheless, was merely a foothold; few industries were favored more by the prosperity of the "Twenties" than industrial research. Even after two years of depression, in 1931, the National Research Council counted some 1,600 laboratories, staffed with 30,000 research workers and expending \$150,000,000. Last year [1937] the number of laboratories had increased by about 100, personnel had increased to 32,000, and funds allocated to research totaled close to \$200,000,000.

In addition to the industrial research engaged in independently by some 1,700 companies, there is that carried on in the laboratories of trade associations, universities, consulting agencies, the Mellon Institute, the Batelle Institute, and others. * * * A complete reckoning of the amount of industrial research in the United States should include also the less formal activity carried on in odd plant corners—half laboratories, half workshops; but of its extent there can be no accurate estimate. These laboratories—in trade associations, universities, agencies, institutes, and half-committed businesses—account for perhaps another \$20,000,000 each year. From 1929 until 1935 expenditures by the Government on research of a more or less comparable nature ranged between \$123,000,000 and \$71,000,000. The grand total comes to about \$300,000,000. * * *

The largest growth in research activity has taken place in newly-developed, mass-production industries in which production is concentrated in large enterprises—petroleum, rubber, chemicals, automobiles, and the electrical industries. Again turning to the personnel yardstick, approximately half of all research workers are to be found in the laboratories of seven industries, and a quarter in electric utilities, electric communication, and the manufacture of electrical equipment. Most of the research personnel in the electrical industries is employed by the three largest companies. * * *

Trade associations employ various means of conducting industrial research for their members. Although some have their own laboratory facilities, a larger number carry on industrial research through Government or commercial laboratories, foundations, and educational institutions. Many trade associations engaged in this field of activ-

³ See table 32.

⁴ Maurice Holland, *Discoveries and Dividends*, reprint from *Dun's Review* (December 1938).

ity merely serve as a clearing house through which the members receive the benefits of one another's individual research developments and of material published by other agencies on technical advances in their own and related fields. Outstanding examples of work through these various procedures as reported by a number of trade associations are given on the following pages. Unless otherwise indicated the activities described relate to the period 1938-39.

In 1919 the American Bakers Association organized the American Institute of Baking to engage in scientific research and training. The institute has its own laboratory and experimental bakeries. Each year it conducts courses on baking technique, which are attended by bakers of long experience as well as by young men of apprenticeship age. In its laboratories bread ingredients are analyzed and evaluated, baking equipment is tested, and other forms of baking research are carried on.

The American Dry Milk Institute conducts extensive investigations into uses for dry milk solids, quality control, chemical and physical characteristics of dry milk solids and their reaction with other ingredients used in the manufacture of foods and livestock feeds. It has made research grants to seven colleges. It has cooperated with the United States Department of Agriculture on research on the feeding of young animals, on malnutrition problems in various States, and on the development of small packages for dry milk solids. The institute recently stated: "Dried milk has become a major factor in the dairy industry. It is respected by producers and consumers, and its use in food manufacture is continuing to grow. During the past 13 years manufacturers of dry milk have, through this organization, invested nearly a million dollars in research and market development work. * * * Benefits of this activity have inured to members, non-members, and users, because all can take advantage of the research and other activities carried on by the Institute."

The American Gas Association conducts studies on the effect of operating temperatures and furnace pressures on the combustion of industrial gas, the utilization of gas in heavy-duty cooking apparatus and in domestic gas appliances, and the fundamentals of domestic gas-range design and performance. It maintains a research associate at the National Bureau of Standards, in connection with a study of underground pipe protection, and cooperates with the United States Bureau of Mines to determine improved methods of measuring the open-flow capacity of natural-gas wells and related subjects. According to the association: "Through its testing laboratories in Cleveland and Los Angeles the Association has immeasurably raised the standards of domestic gas appliances so that today there are few, if any, appliances on the market of such poor construction as to be in danger. At the time of the establishment of these laboratories, there were no standards by which appliances could be tested for safety. * * * The Association has through its technical committees, engineering service, and research greatly improved the efficiency and methods of gas manufacture, production, transmission, distribution, and measurement to the end that gas service to the public has been improved, extended, and costs reduced."

Supplementing its own laboratory research, the American Institute of Steel Construction maintains a research associate at the National Bureau of Standards, has made grants to several colleges, and cooperates with such scientific and professional organizations as the American Society of Civil Engineers, the American Standards Association, the American Society for Testing Materials, and the American Welding Society, engaged in related work. Its committee on technical research sponsors the "study of current problems in design, fabrication and erection of steel structures, the formulation of research programs and their administration, and the issuance of reports covering research under these programs." Its committee on extended uses for steel has general supervision of work designed to develop new opportunities for steel construction. In 1937 the institute published its 400-page Manual of Steel Construction, as part of a program to improve the application of structural steel and to simplify the processes of its fabrication and erection. This manual, according to the association, is "regarded as a standard text in the engineering profession throughout the United States."

The American Petroleum Institute, in 1926, inaugurated a program of research under the direction of its committee on fundamental research. Since that time more than 40 different research projects have been conducted through the establishment of fellowships at university and Government laboratories. Its present program is administered by this committee with the aid of a number of technical advisory committees. In the words of the institute: "These research efforts look to the compilation of information on the sources of petroleum, including conditions under which source sediments accumulate, and possible sources of material in petroleum rocks in the vicinity of producing fields. Effort is also being made to separate, identify, and determine the constituents of petroleum, particularly mid-continent crude oil. A third project seeks to reveal the fundamental principles in the retention of oil by sand and the physical properties of oil-and-gas mixtures under subterranean pressures. A fourth project, initiated in 1937, deals with the function of water in producing oil from reservoirs. The results of the Institute's discussions, studies, fundamental and technical research, and all other activities are reported as public information or as recommendations."

The Asphalt Institute regards as a significant contribution to its industry the results of its research work. It cooperates with Government agencies and professional associations in investigations and experiments regarding asphalt paving mixture, design, and technique, asphalt mixtures for river and harbor construction, and characteristics of asphalts and mineral aggregates. Its work with the highway research board of the National Research Council pertains to the use of asphalt for highway purposes. In cooperation with the United States Bureau of Standards it is endeavoring to adapt asphalt to use in low-cost housing construction, and with the United States Bureau of Public Roads it is making a survey of low-cost asphalt road construction methods as conducted in various sections of the country.

The research staff of the Association of Manufacturers of Chilled Car Wheels engages in studies looking toward the development of metals and designs to produce maximum wear resistance and strength of railroad car wheels. It develops and tests new wheel designs or proposed modifications of current designs, develops specifications and rules for test procedure, and develops instrumental means for determining chill limits in wheels. In this program the association cooperates with the Association of American Railroads.

The Institute of American Meat Packers conducts studies pertaining to the curing of meat, the prevention of spoilage, the manufacture of lard, and the utilization of packing-house byproducts. Its investigations have also extended into the raw-material field, and it has financed a study at Yale University to determine the effect of various feeds on the production of fat; at Purdue University to develop the most satisfactory type of swine from the viewpoint of both the packer and the producer; and at the University of Wisconsin to develop the cause and prevention of "seeds," which reduce the value of bacon. Successful efforts have been made by the institute to reduce losses arising from bruises and other injuries in bringing livestock from farms to the packing plants. The institute cooperates with State and Federal agencies in connection with the establishment of specifications and standards relating to meats and meat products, and many of its technical research projects supplement those of the United States Department of Agriculture pertaining to Federal inspection of meat-packing plants. Constant interchange of technical information with Government agencies helps the institute to avoid duplication of industrial research.

In its laboratory at association headquarters, the National Association of Dyers and Cleaners carries on a continuous program of research covering solvents, soaps, and fabrics. It has developed a solvent which it believes has greatly reduced fire hazards in the dry-cleaning industry: the specifications for this solvent are contained in the National Bureau of Standards, Commercial Standard CS3-38.

The National Cannery Association states that "the Association's research work, covering both the technique of canning and the production of canning crops, has given the industry a scientific basis for its operations that has enabled it to produce an improved product, conduct its operations more efficiently and economically, and create consumer confidence in the wholesomeness and quality of its output. In food research, the work of the Association's research laboratories is internationally recognized as authoritative. The laboratories were established in 1913 on the premise that there was need for

scientific investigation of fundamental problems in canning and that this could best be accomplished by centralized research." The association's research activities have brought into coordinated use the sciences of chemistry, bacteriology, physics, and engineering. Major projects have been processing studies, nutritional studies (with special emphasis on the effect of heat in processing on vitamins and other dietetic qualities), tin-plate investigations, and food-quality studies. Its laboratories are said to have developed the basic principle of the enamel lining for tin cans now widely used. According to the association, "The patent for this enamel was assigned to the association and dedicated by the association to the public." In its research on processing, the association conducted a study some years ago in cooperation with university laboratories for the purpose of eliminating a type of food poisoning that had occurred in certain canned foods. In commenting upon the absence of any outbreaks of food poisoning attributable to canned foods since 1925, the association states: "This record illustrates in a significant manner the way in which the canning industry has solved a problem of public health and economic importance through application of research undertaken by the industry through the medium of its national association."

The National Coal Association, whose membership consists of regional, State, and local bituminous coal associations, as well as coal-operating companies, strives to coordinate the technical research of these affiliated groups. In 1933 it organized the Bituminous Coal Research Association and invited both members and nonmembers to participate in a program of discovering new uses for soft coal and its byproducts and of improving methods of production and utilization. The association performs some technical work in its own laboratory and some in a commercial laboratory. The results have been widely published in an endeavor to show the superiority, under certain circumstances, of coal over competing fuels.

The National Federation of Textiles, states that "a very valuable part of the work of the Federation, especially in its earlier years, has been the improvement of the quality of raw silk through technical research, standardization, and education." Interest in the consumer's point of view in purchasing textiles has resulted in the reengagement of a technical director to coordinate and develop a program of research and information that might prove helpful in answering questions about silk and rayon fabrics as asked by consumer organizations, retailers, and others concerned with the wearing quality of textiles. This has been supplemented by a study on shrinkage, washability, slippage, and perspiration reaction.

The research work of the National Fertilizer Association is an example of what can be accomplished at a minimum of expense through the stimulation of research in contrast to research by a trade association in its own laboratory. The association states its viewpoint in this connection as follows: "There are institutions, both governmental and private, equipped to carry on all kinds of research. For trade associations to supply themselves with such equipment, apparatus, libraries, experiment stations, and what not as would be needed, would in some cases mean unnecessary waste and duplication." "The fertilizer industry," it continues, "has supported an educational program for the past 27 years, the central theme of which has been to give to the fertilizer consumer information that would assist him in using fertilizers more intelligently. * * * Because of the very comprehensive Federal and State-supported programs of agricultural education, extension, and research, which are being carried on constantly, the Association had adopted the policy of cooperating with official workers in furthering a common program rather than attempting to develop an independent industry program. * * * For more than 20 years the Association has worked with State agricultural experiment stations and with the United States Department of Agriculture in planning and conducting research projects. This cooperation, at times, has included the establishment of research fellowships for study of specific problems, while in other cases modest grants have been made to State institutions for the same purpose. * * * We feel that our research fellowships have served at least two very useful purposes: (1) They have helped to solve technical agronomic problems of vital interest to our industry and to agriculture; and (2) they have aided young scientists, a number of whom are today occupying important positions, to make advances in our own and cognate fields. * * * In order to stimulate interest in research on methods of applying fertilizer through the country, we were instrumental in 1925 in setting up a committee known as the National Joint Committee on

Fertilizer Application. This Committee's research involved the testing of hundreds of different kinds of machines for applying fertilizer under all types of circumstances. In order to make a coordinated attack on the problem, our committee was made up to include representatives of the American Society of Agronomy, the American Society of Agricultural Engineers, the American Society for Horticultural Science, the Farm Equipment Institute, and our Association. We were also successful in getting cooperation from the appropriate bureaus of the United States Department of Agriculture and State agricultural colleges and experiment stations. This work has grown until in 1938 more than 140 experiments were conducted in practically every fertilizer-using section of the United States. We have also found that we can frequently stimulate valuable work by merely paying the travel expense or by contributing the fertilizer that may be needed for some particular investigation. Along this line recently we arranged what proved to be a very successful and helpful conference on the fertilization of peanuts. As a result of this conference, a number of cooperative research projects have been undertaken by the colleges and experiment stations with no further expense to the association."

The research work of the National Paint, Varnish, and Lacquer Association includes the laboratory determination of properties and reactions of new types of paint, varnish, and lacquer raw materials and the designing of instruments for testing paint products. The association abstracts all published articles on industrial research and patents relating to the industry. It aids in working out individual research problems of general interest to the industry. Technical societies, libraries, research organizations, paint manufacturers in other countries, and manufacturers in the United States not eligible for membership in the association can subscribe to the association's technical publications.

The National Sand and Gravel Association has recently transferred its technical operations from its own laboratory to a university, where investigations will be carried on under a joint advisory committee of the university and the association. The joint program will include a study of the physical characteristics of sand and gravel when combined with cement, asphalt, and other ingredients for use in the construction field. The technical problems of the industry, as well as the value of laboratory tests, are commented upon in a bulletin published by the association in 1938, entitled "Some Engineering Problems of the Sand and Gravel Industry":

The lack of ability of certain bitumens to adhere to certain aggregates evidences itself by "stripping"—with consequent ravelling and disintegration. While various theories are advanced to explain that action, the phenomenon is not well understood. No one, so far as I know, is able to look at an aggregate and say that it will, or will not, "strip." No aggregate, so far as I know, will "strip" under all conditions. "Stripping" is not a problem of the sand-and-gravel industry alone. The crushed stone and slag industries are interested, as are the manufacturers of asphalts and tars. * * *

What causes a concrete road to crack? There are a multitude of factors, among which aggregates are only one. Traffic, concrete proportions, cross-section, expansion and contraction joints, subgrade, weather conditions, cement, aggregates, and the many ramifications of these are among the multitude. * * *

Basic information on [some of our problems] can, I believe, be obtained only in the laboratory. The field affords valuable supplementary and confirming information but, in the field, the variables are too numerous and too difficult of control to permit of developing fundamental relationships. And, I want to interject here a denial of the oft-repeated charge that "you cannot duplicate field conditions in the laboratory." You can so far as you should! You do not want to "duplicate" them in the strict sense with all of their variables and uncertainties; you can duplicate and simulate various phases of those conditions, one or two at a time, so that information that will stand scrutiny can be developed.

Regarding its research program, the Pennsylvania Grade Crude Oil Association states: "So far as we know, this Association was a pioneer in establishing an active and substantial relationship between the petroleum industry and technical institutions, although many such arrangements are now in effect." Under the leadership of the association's laboratories, the refineries of this petroleum region have increased their technical organization and reequipped their own laboratories with modern instruments and engines. As a result of the teamwork

thus established, these plants, according to the association, are in a position to meet on relatively equal terms the research operations of their largest competitors. Fundamental studies are carried on by the association, while the individual development program is in the province of the separate refiners. A staff of physicists has been engaged by the association in an attempt to develop the fundamental law of flow which governs the movement of petroleum fluid through the sandstone in which it is found. The association states: "Here the way is being opened for more efficient and more economical production from stripper wells in the Pennsylvania region."

The work of the Portland Cement Association is primarily that of industrial research and trade promotion. At its own laboratory, through its fellowship at the National Bureau of Standards, and in cooperation with other Government agencies, it conducts extensive investigations covering new and improved uses for cement. It also maintains a committee on packages, which is concerned with the improvement of cloth sacks and paper bags used as shipping containers. As stated by the association in connection with the preparation of specifications for Boulder Dam: "All the data in our files were made available to the Government for this work. Solution of the special problem of developing a low-heat cement for use in constructing this dam was made possible by the fundamental foundation laid by the studies of the Portland Cement Association Fellowship at the National Bureau of Standards." The association regards as one of its outstanding achievements the results of its research experiments in the development of a low-cost, light-traffic road, capable of year-around service, through the use of a special type of cement mixture. As summarized by the association: "The process emerged from the laboratory and experimental field and proved the economical and structural soundness of soil-cement road construction in actual practice. * * * During 1937 and 1938 substantial mileages of roads were built and a wide range of soils successfully handled. In addition to work by States, several Federal agencies have built or are planning to build soil-cement roads."

In cooperation with the University of Cincinnati, the Tanners Council of America promotes fundamental research into the scientific and technical problems of its industry. In describing the scope of its work, the council states: "The Tanners' Council laboratory is completely equipped for wide investigations in the science of tanning. Its work has achieved a high reputation both in this country and abroad, and many of its findings are published in scientific journals." Under the supervision of the laboratory committee, the scientific work of the council has developed along three lines: (1) Basic scientific research is carried on in the tanning of leather; (2) specific assistance is rendered to the industry either through the publication of research results or personal aid and counsel on questions of a technical or practical nature; (3) the laboratory acts as a clearing house for research at other scientific institutions.

Although American business associations have conducted their technical research activities without direct governmental financial aid, such as is given in England, the Government has given some encouragement and assistance to these activities. In 1916, at the request of President Woodrow Wilson, the National Research Council was established in Washington, D. C., by the National Academy of Sciences and a number of technical societies as a measure for national preparedness. During the war the Council served the Government as the Department of Science and Research of the Council of National Defense, and one of its first acts was to make a national survey of industrial research as of that time. Its membership is composed of representatives from Government agencies and scientific and technical societies. Its financial support is based chiefly on grants from several private organizations, including the Carnegie Foundation and the Rockefeller Foundation. The Council does not maintain scientific laboratories but rather assists in the coordination and publicizing of scientific work in the United States. The industrial information activity of the Council centers in the Division of Engineer-

ing and Industrial Research. Members of this division included, in 1939, representatives from the following scientific and technical associations:

American Institute of Electrical Engineers.
 American Institute of Mining and Metallurgical Engineers.
 American Society of Heating and Ventilating Engineers.
 American Society of Mechanical Engineers.
 American Society of Civil Engineers.
 American Society for Metals.
 American Society for Testing Materials.
 Illuminating Engineering Society.
 Society of Automotive Engineers.

The National Bureau of Standards, which is the leading agency of the Federal Government in laboratory research, in 1920 initiated its "research associate plan." Under this plan the Bureau makes available its laboratory facilities for significant research to any group that will pay the salary of the investigator. By 1927, 38 industries were maintaining 61 associates at the Bureau. In 1939 the Bureau was extending the use of its scientific and technical facilities to duly qualified scientific investigators and students from about 50 industries, which maintained 84 research associates at the Bureau. The following list summarizes the type of research project carried on in 1939 by trade, technical, and professional associations:

TRADE ASSOCIATION	RESEARCH PROJECT
American Gas Association.	Pipe coating and pipe-line corrosion; methods for measuring potential differences in the soil; potentials required for cathodic protection.
American Institute of Steel Construction.	Fire tests of welded steel floor construction.
American Petroleum Institute (in cooperation with the Automobile Manufacturers Association and the Society of Automotive Engineers).	Chemical constituents of petroleum; motor fuel and motor survey projects; vapor-lock projects.
American Silver Producers Association.	Development and simplification of silver alloys; new applications of silver plating; and new uses for silver.
Asphalt Shingle Roofing Institute.	Testing and development of asphalt roofing.
Calcium Chloride Association.	Volume study of concrete.
Copper and Brass Research Association (and committee A-40, American Standards Association).	Testing strength of soldered joints in copper tube plumbing, etc.
Cordage Institute.	Reflectance value measurements.
National Association of Hosiery Manufacturers.	Industrial research on hosiery and raw materials used therein; analysis; specifications.
Nonferrous Ingot Metal Institute.	Effect of impurities on copper-base alloys.
Plumbing Fixture Manufacturers' Group.	Research on plumbing fixtures.
Porcelain Enamel Institute.	Standardization of tests of vitreous enameled iron.
Portland Cement Association.	Constitution and hardening of Portland cement.
United States Cane Sugar Refineries Group.	Research in decolorizing carbons.

TECHNICAL AND PROFESSIONAL ASSOCIATIONS	RESEARCH PROJECT
American Dental Association.	Research on cements, alloys, and denture materials; testing certified products; chemical analysis.
American Pharmaceutical Association.	Color names for drugs and pharmaceuticals.
American Society of Mechanical Engineers.	Discharge coefficients of flow nozzles in fluid meters.
American Society for Testing Materials.	Standardization and calibration of equipment in cement testing laboratories throughout the United States; study and improvement of methods and apparatus; computing.
Lithographic Technical Foundation.	Effect of manufacturing operations on printing quality.
National Research Council.	Spark plug and other ignition research—air filters; thermal properties of liquids; double monochromometer spectroscopy; research in micro-film; measurement of acidity of citrus fruits; motion-picture projectors.
United States Institute for Textile Research.	Absorption, desorption of fibers, and effect of drying on physical properties of textiles.
Textile Foundation.	Fundamental research on silk, wool, and cellulosic fibers.

STANDARDIZATION AND SIMPLIFICATION

The principal objectives of standardization and simplification are the elimination of economic waste, the reduction of cost, and the establishing of wider markets. It is therefore to be expected that trade and technical associations engage extensively in these two activities and that in so doing they have had the encouragement and support of Government agencies.

"Standardization" refers to the establishment of uniform product sizes or dimensions and, in the case of quality standards, of criteria of properties and performance as the basis for grading, certification, and labeling. "Simplification" refers to the reduction of the number or variety of product sizes, dimensions, types, models, patterns, and lines. As has been pointed out by Mr. E. W. Ely, of the National Bureau of Standards:

Standardization is primarily technical and creative. Its function is to determine and establish in use the best design, quality, method, or process for performing a desired function.

Simplification, on the other hand, is commercial and selective. Its function is to determine which sizes or items of a product are most important and to concentrate production on them whenever possible. It may be applied to articles already standardized as to design or size, or it may be applied as a step preliminary to standardization by reducing the number of items to be standardized.

Ordinarily considered to be a part of the standardization work of trade associations also are product certification and guaranty, descriptive labeling, and product inspection or testing to determine conformance with industrial standards.

Not a great deal had been accomplished in simplification through association before the impetus given the movement by the War In-

dustries Board in 1917 and 1918. Cooperative standardization, however, has an older background. Thus, the American Institute of Electrical Engineers, which was established in 1884, almost from the beginning has been active in developing standardized specifications in the electrical industry. Many technical societies were actively sponsoring this movement before 1910, in which year the Society of Automotive Engineers joined with the predecessor of the present Automobile Manufacturers Association in appointing a joint standards committee. These standards pertained to terminology, materials, dimensions, tests, and other matters. In 1920 the Manufacturers Association estimated that the automotive industry had saved \$750,000,000 through the standardization of dimensions sponsored by these two organizations.

At the time American industry was mobilized for World War purposes, the War Industries Board in various surveys disclosed an overdiversity in sizes and varieties of individual products, as well as a vital need for improved products. The Board insisted upon immediate simplification in certain fields, thus calling for simplification by a number of trade associations. Nonessential varieties and grades of many individual products were eliminated.

After the war, American industry was faced with industrial overcapacity, and there was a consequent tendency for manufacturers to endeavor to increase sales by featuring new sizes and styles having "individual appeal," claimed to be improvements over the standardized product. Thus, the cooperative standards movement was retarded in its early growth. It was not long, however, before a united effort was made by trade associations, technical societies, and Government agencies to stop this trend of undue diversification of individual products. The harmful effects of overdiversification were made known through a survey made in 1920 and 1921 by the Federated American Engineering Societies, established by the American Engineering Council. The survey committee, composed of 17 prominent industrial engineers, made its findings available in 1921, in a report entitled, "Waste in Industry." In its report, the committee said:

A Nation-wide program of industrial standardization should be encouraged by the Government in cooperation with industry. In the standardization of design of product, methods of procedure and number of models, there rests a large opportunity for the reduction of waste. * * *

It is not sufficient, however, to attempt to standardize the product of a given industry, for almost every industry is so dependent upon others that they, too, must cooperate. The federal government could call together the representatives of the trade associations of interdependent industries and in cooperation form committees for this purpose. The opinions or decisions of such committees might from time to time be promulgated as standards of practice.⁵

As a means of assisting in the implementation of the committee's suggestions, the Secretary of Commerce in 1921 established within the National Bureau of Standards the Division of Simplified Practice. Later, in 1927, the Division of Trade Standards was established in the Bureau.

The Division of Simplified Practice assists manufacturer groups, distributor groups, and consumer groups in the voluntary elimination of unnecessary variety of individual products. The procedure em-

⁵ Federated American Engineering Societies, *Waste in Industry*, McGraw-Hill Book Co., New York (1921), p. 32.

ployed in the development of a simplified practice recommendation includes the following steps:

1. A survey, by a representative committee of the industry, covering sizes, varieties, and types of the article made during a selected period, the volume of each item produced annually, the relative importance of the items, the probable future trends, and the items that can be eliminated with varying degrees of advantage.
2. Preparation of a statement consolidating this information.
3. Presentation of the statement to a general conference of all interested groups representing producers, distributors, and consumers.
4. Adoption by the conference, on the basis of the survey findings, of a simplified practice recommendation, usually in the form of a list of sizes or types of the product which appear adequate to meet all normal demands.
5. Appointment by the general conference of a standing committee of the industry to maintain the recommendation, through revisions when necessary.
6. Circulation by the Bureau to all concerned of a full report of the conference action for final acceptance of the recommendation.
7. Promulgation of the program by the Department of Commerce, through the National Bureau of Standards, and publication of the recommendation, upon receipt of adequate written support by manufacturers, distributors, and consumers.

The Bureau thereafter cooperates with the standing committee in conducting surveys from time to time to determine the degree of adherence, in maintaining and extending support of the recommendation, and in obtaining data for reaffirmation or revision to meet changing industrial conditions. Hundreds of national and local associations have made use of the Government's facilities to lessen avoidable waste in industry, and official simplified practice recommendations have been promulgated for 175 different commodities.

The Division of Trade Standards encourages the voluntary establishment by industrial groups of "Commercial Standards," covering grades, quality, and dimensional interchangeability. Seventy-nine commercial standards have been promulgated by the National Bureau of Standards since this program was initiated in 1927. The "C. S." specifications are formulated by conferences of representatives of producers, distributors, and consumers and are developed through a procedure essentially similar to that followed in developing simplified practice recommendations described above.

The National Bureau of Standards has devised a "certification plan," whereby it compiles and distributes lists of firms willing, when requested to do so, to certify that goods ordered on contracts based on certain Federal specifications and commercial standards do actually comply therewith. The Bureau also has developed a "labeling plan," by which manufacturers who produce goods according to officially promulgated commercial standards or Federal specifications are encouraged to label them and guarantee that they comply with these standards or specifications. The particular methods of providing labels and guaranties are left to the discretion of individual manufacturers and trade associations.

Among non-Governmental agencies the American Standards Association is foremost in the field of standardization. It was formed in 1918 by the American Society for Testing Materials and the 4 leading engineering societies and has an office staff of approximately 30 persons. Its membership consists of more than 60 national trade associations and technical societies, several Federal Government departments, and approximately 2,000 private firms. The objects of the association, as stated in its constitution, are:

To provide systematic means by which organizations concerned with standardization work may cooperate in establishing American Standards in those fields in which engineering methods apply, to the end that duplication of work and the promulgation of conflicting standards may be avoided.

To serve as a clearing house for information on standardization work in the United States and foreign countries.

To further the standardization movement as a means of advancing national economy, and to promote a knowledge of, and the use of, approved American industrial and engineering standards, both in the United States and in foreign countries, but not to formulate standards.

To act as the authoritative American channel in international cooperation in standardization work, except in those fields adequately provided for by existing international organizations.

Since its inception, the association has published more than 400 American standards and safety codes.

The American Society for Testing Materials, a pioneer in standardization work, was formed in 1898. Its objective is "the promotion of knowledge of the materials of engineering and the standardization of specifications and methods of testing." It was an outgrowth of the American section of the International Association for Testing Materials; the international agency had been formed in 1895. By 1939 about 800 standards and tentative standards had been formulated by the society. Its membership of 4,000 includes technicians, business firms, commercial testing laboratories, and trade associations. It has standing committees for each major-commodity field, which report each year on suggested improvements in standard methods of testing, analysis, and sampling.

Although the two foremost professional associations in standardization work are the American Standards Association and the American Society for Testing Materials, a large number of other national professional groups have issued standards. Among the professional societies that over a long period have contributed to national progress in standardization of materials, methods, practices, and terminology are the American Association of State Highway Officials; American Institute of Electrical Engineers; American Society of Mechanical Engineers; and the Society of Automotive Engineers.

In 1937 an agency known as the National Consumer-Retailer Relations Council was formed to bring together the interests of consumers and retailers in the field of standardization. It is now sponsored by such trade associations as the National Retail Dry Goods Association and such consumer groups as the National Congress of Parents and Teachers, the National Federation of Women's Clubs, American Home Economics Association, the League of Women Voters, and the American Association of University Women. Its plans include closest cooperation with the National Bureau of Standards and the American Standards Association's advisory committee on consumer goods. In addition to encouraging standardization the Council seeks to—

Encourage national advertisers through their trade associations to cooperate * * * in the production of wholly truthful and informative advertising in the interests of the consumer * * * to provide through national associations of retailers and of consumers suggested programs of city and State-wide cooperation.

Of 1,244 national and regional trade associations, 725, or approximately 58 percent of the total, reported activity in standardization and simplification during the period, 1938-39. Four hundred and fifty-six,

or approximately 37 percent, of the associations reported a major degree of activity in this field.⁶ It is a much more prominent activity in some branches of industry than in others. It was a major activity of 72 percent of the associations in the lumber and timber basic-products group; of 69 percent of associations covering the manufacture of iron and steel and their products; of 68 percent covering the manufacture of paper and allied products; and of 64 percent of those covering the manufacture of electrical apparatus and supplies. On the other hand, it was reported as a major activity by only 20 percent of the associations in the wholesale trade and 15 percent of those in the retail trade.

Outstanding trade association work in simplification and standardization is illustrated by the activities of the National Paving Brick Association and of softwood lumber manufacturers associations.

In 1921 the first of a series of conferences was held by the Division of Simplified Practice of the National Bureau of Standards to coordinate and assist in forwarding the movement for elimination of avoidable waste in industry. This conference was initiated by the National Paving Brick Manufacturers Association (now the National Paving Brick Association) and was pointed to the simplification of sizes and varieties of vitrified paving brick. A survey made by the industry at that time showed that the manufacturers were being called upon to produce 66 varieties of vitrified paving brick, many of which differed little in size or type. The survey also showed that two sizes of 10 varieties constituted the major shipments of vitrified paving brick during the years 1914 to 1920 and that these had grown at the expense of the remaining 56 varieties manufactured.

Following consideration of the survey report, the conference unanimously recommended the elimination of 55 of the original 66 specific varieties of vitrified paving brick. In order to provide for usual variations incident to the manufacture of brick, a resolution was adopted allowing a tolerance of one-eighth inch in width and depth, and of one-half inch in length for these 11 varieties. Through subsequent conferences the number of stock varieties has been still further reduced, although several formerly eliminated sizes have been reinstated in the simplified list. On a recent revision committee were representatives from the National Paving Brick Association and the—

American Association of State Highway Officials.

American Ceramic Society.

American Road Builders Association.

American Society of Civil Engineers.

American Society of Municipal Engineers.

American Society for Testing Materials.

Bureau of Public Roads, United States Department of Agriculture.

National Research Council.

The benefits of simplification were enumerated by the National Bureau of Standards in a recent report on vitrified paving brick,⁷ which told of this association's success in confining most of its production to the comparatively few sizes and types:

⁶ Exclusive of those in the field of insurance. See tables 32 and 32A.

⁷ National Bureau of Standards, Vitrified Paving Brick—Simplified Practice Recommendation R1-36 (1936).

To producers:

- Less capital tied up in slow-moving stocks.
- More economical manufacture due to simplified inspection requirements, longer runs with fewer changes, less idle equipment, less stock to handle, etc.
- More permanent employment as contrasted with seasonal employment.
- Larger units of production and less special machinery.
- More prompt delivery.
- Less chance of error in shipment.
- Less obsolete material and machinery.

To distributors:

- Increased turnover.
- Elimination of slow-moving stock.
- Staple line, easy to buy, quick to sell.
- Greater concentration of sales efforts on fewer items.
- Decreased capital invested in stocks and repair parts on hand.
- Less storage space required.
- Decreased overhead and handling charges.

To consumers:

- Better values than otherwise possible.
- Better service in delivery and repairs.
- Better quality of product.

The efforts of the lumber industry to simplify and standardize sizes, nomenclature, and grades of softwood lumber had their first results in 1922, when a general conference of the industry, including distributors and wood-using groups, was held under the auspices of the Division of Simplified Practice. At this conference the central committee on lumber standards was formed by the conference to act as a steering committee and to draft definite recommendations. This committee in turn appointed a larger group—the consulting committee on lumber standards. With the aid of these committees and of the Forest Products Laboratory of the United States Department of Agriculture, subsequent general conferences developed the first Simplified Practice Recommendation on lumber, which appeared in 1924. These standards, which recognized standard and extra standard sizes for boards, became known as American Lumber Standards. By the elimination of unnecessary and often wasteful sizes and through the defining of basic grades, the recommendation reduced the number of actual finished yard-lumber items nearly 60 percent and established a foundation for continued efforts to equalize grades.

Conferences in 1925, 1926, 1928, and 1937 have clarified, strengthened, and enlarged the scope of the recommendation. It now contains standard sizes and basic grading provisions for each class of softwood lumber, together with general grading rule provisions applicable to all classes, a standard nomenclature of commercial softwoods, definitions of terms used in describing standard grades, standard patterns for worked lumber and moldings, and standard lumber abbreviations.

The present edition of the simplified practice recommendations covering softwood lumber⁸ provides that the various associations of softwood lumber producers shall submit to the central committee on lumber standards⁹ their grading rules and amendments thereto as they

⁸ National Bureau of Standards, American Lumber Standards for Softwood Lumber—Simplified Practice Recommendation R16-39 (1940).

⁹ The present membership of the central committee on lumber standards contains one representative each of the railroads (Association of American Railroads); wood-using industries (National Association of Purchasing Agents); architects (American Institute of Architects); lumber millwork manufacturers (National Door Manufacturers Association); lumber manufacturers (hardwood) (National Lumber Manufacturers Association); lumber wholesalers (National-American Wholesale Lumber Association); lumber retailers

may be proposed from time to time for review and approval as conforming to American Lumber Standards. It provides that the formulation and application of regulations for inspection to bring about adoption of the standards shall be the responsibility of the lumber industry. It approves the principle and practice of grade marking of lumber and the use by the individual producer of the association symbol signifying compliance with the standards, provided that the association maintains an adequate supervisory inspection service for determining conformity with the rules.

The adherence of all Federal departments to the American Lumber Standards is assured by Federal specifications providing that softwood lumber shall conform to the size standards and grading rules of the various lumber associations where such rules are approved by the central committee on lumber standards as in conformance with American Lumber Standards.

Among the leading lumber associations participating in the program of American Lumber Standards are the West Coast Lumbermen's Association and the Western Pine Association. The West Coast Lumbermen's Association has adopted a grade-mark and trade-mark insignia which is officially registered by the association and may only be applied under individual mill licenses. Graders who use the official stamp are subject to examination for grading efficiency prior to issuance of the license. Following the issue of the license, their work is subject to regular, unannounced reviews by the association's supervisors of grades. The license may be revoked unless the efficiency is maintained at 95 percent as measured by the association's standards of grade. The official grade-marks used by this association are designed to identify the grades of Douglas fir, West Coast hemlock, Western red cedar, and Sitka spruce as manufactured in western Oregon, western Washington, and southwestern Alaska.

The Western Pine Association has established official grade-marks, trade-marks, and species marks for Ponderosa, Idaho and Sugar Pine, Larch-Douglas Fir, White Fir, Engelmann's Spruce, Red Cedar, and Incense Cedar lumber. Lumber sold by members of this association is graded under the association's rules established by its bureau of grades. Rules are standard for the region. Experienced lumber inspectors in the employ of the association visit the member plants every month and check the work of the mill graders and the seasoning and manufacturing practices, in an endeavor to insure uniform quality products from the association mills. It has been reported by the association that while the use of grade-marks is not obligatory and does not apply universally, a considerable portion of the lumber shipments originating from member mills is grade-marked at the request of the purchaser. Almost without exception the mills that are members of the association are ready and willing to furnish grade-marked lumber in conformity with the association's plan of identification. Nonmembers may have their lumber grade-marked by an association inspector.

The work of these associations is typical of the standardization work carried on by most other associations of lumber manufacturers—

(city yards) (National Retail Lumber Dealers Association); construction engineers (American Society of Civil Engineers); lumber retailers (line yards) (National Retail Lumber Dealers Association); lumber manufacturers at large (National Lumber Manufacturers Association); lumber manufacturers (softwood) (National Lumber Manufacturers Association); and general contractors (Associated General Contractors of America).

of hardwood as well as of softwood lumber. The following summaries will illustrate the type of work carried on by a number of associations in industries other than lumber, particularly in certifying products conforming to minimum standards of quality and performance. Unless otherwise indicated the activities described relate to the period 1938-39.

The American Zinc Institute licenses steel manufacturers without charge to use the institute's "seal of quality" trade-mark on galvanized sheets that conform to specifications defined by the institute. This seal of quality when shown on a sheet indicates that the manufacturer has used special care in making it and that the zinc coating is extra heavy—2 ounces per square foot.

The Bureau of Explosives, which functions as an agency of cooperation between the Association of American Railroads and the Interstate Commerce Commission, maintains a chemical laboratory for the study of explosives and other dangerous articles, and containers therefor, and a force of traveling inspectors to insure compliance with the regulations and specifications of the Interstate Commerce Commission dealing with the transportation of explosives and other dangerous articles.

The Institute of Book Cloth and Impregnated Fabrics Manufacturers, in cooperation with the Book Manufacturers Institute and the Employing Bookbinders of America, has established a commercial standard for book cloths, buckrams, and impregnated fabrics for bookbinding with the cooperation of the National Bureau of Standards. In connection with this standard, manufacturers of starch-filled and impregnated bookbinding fabrics place on their fabric a label to indicate that the material is guaranteed to meet the requirements of the commercial standard. The recommended wording of the label is as follows: "These goods are manufactured to conform with Commercial Standard CS 57-40 issued by the United States Department of Commerce."

The National Association of Finishers of Textile Fabrics has made arrangements with a commercial testing laboratory to conduct tests of goods finished by members to determine the degree of fastness to light and washing. Finishers whose goods receive an "A" or "B" rating for fastness to light and washing are granted the use of the association's label, showing that the particular dyeing from which the sample was taken has passed the requirements and tests of the association's standard for colors. The license to use the label is automatically revoked if by a majority opinion of the executive committee of the association it has been found that the label was used in a manner contrary to the provisions of the license agreement.

The National Association of Ice Industries has adopted a seal of approval which identifies ice refrigerators and other ice-using appliances of which samples have been subjected to tests by the association. This seal on an ice refrigerator or ice chest is a guaranty that samples have been tested by the technical department of the association and have been found to meet requirements, both as to construction and performance, established and unanimously approved by this association and the National Association of Ice Refrigerator Manufacturers. In order to carry on this testing work, the association has leased the facilities of a testing laboratory, where under the direction and supervision of association engineers every size and model of refrigerator on which application is made to use the seal must be subjected to a rigid performance test. In addition to these performance tests, the structural specifications of the refrigerator are studied and checked against the minimum structural specifications established as a requirement for using the seal.

The National Door Manufacturers Association has inaugurated a minimum-standards program whereby any manufacturer or distributor of architectural wood products may enter into a license agreement to use the association's seal of approval. The primary provision of this agreement is that the licensee shall conform strictly to the association's minimum standards in treating all products to which the seal is affixed. The seal of approval is branded on all products that are treated in conformity with the minimum standards. The seal of approval carries with it the number of the license and the wording "Toxic-Preservation; Approved, National Door Manufacturers Association."

The National Electrical Manufacturers Association has a Codes and Standards Committee that cooperates with the American Standards Association in the development, approval, and promotion of the use of "American Standards."

It also cooperates with such organizations as the National Safety Council, International Association of Electrical Inspectors, Associated Factory Mutual Insurance Companies, American Society for Testing Materials, American Welding Society, Underwriters Laboratories, American Gas Association, National Bureau of Standards, and the International Standards Association. A recent report of the association states that "standardization is a never-ending process. N E M A is constantly receiving requests for cooperation in solving standardization problems affecting electrical apparatus and equipment from outside sources." This association is composed of some 60 sections, and there are 36 joint committees working with the Codes and Standards Committee, whose duty it is to assist in "promulgating standards for rating, construction, performance, durability, composition, and other characteristics of their products; also, for manufacturing practices and to provide for identifying compliance therewith."

The National School Supplies and Equipment Association has inaugurated a certification and labeling program whereby all janitor supplies used in schools may be labeled as conforming to certain standards adopted by the association. The manufacturers or distributors of janitor supplies may submit samples of their regular supply products to the association for certification purposes. These samples are tested in the laboratory of the association. When the samples tested conform to the standards established, quality labels are issued and the companies are privileged to use the certification seals. The association also makes use of labels to identify school furniture complying in color with the standards established by the industry.

The Rail Steel Bar Association permits its members to roll a uniform identification mark on rail-steel reinforcing bars produced by them. The use of this mark signifies a willingness on the part of manufacturers to certify that bars produced by them comply with the requirements and tests of the association's standards. Adherence to the standards is promoted by periodic visits to each mill by the association's metallurgist. The association also maintains a co-operative program of research in production methods aiming toward improved methods and increased quality of products.

The Sanitary Institute of America has adopted specifications for the sale of wiping cloths which cover sterilization and grading. It has adopted an official label, the presence of which on a bale of industrial wipers represents a guaranty by the manufacturer that the contents of the bale conform to the specifications. The wording of the label reads as follows: "The wiping cloths contained in this bale or package have been produced and packed according to specification of the Sanitary Institute of America." The manufacturer also certifies that the wipers contained in a given shipment are correct in weight. In enforcing the specifications, the institute relies chiefly upon the integrity of its members, each of whom pledges himself to the institute's specifications upon becoming a member. A complaints committee investigates any alleged failure to conform. Violation of the pledge is punishable by expulsion with attendant loss of the privilege of using the institute label. The institute believes that the members have derived considerable value from its program, because many large corporations using industrial wipers have incorporated into their own specifications the requirement that purchases must carry the institute label.

The Sporting Arms and Ammunition Manufacturers Institute has cooperated with the ordnance branches of the War and Navy Departments to standardize its products and for years has carried on various tests at the National Bureau of Standards. It reports that there has been marked success in eliminating odd weight and size ammunition, which has simplified manufacturing, as well as the wholesaling and retailing, of ammunition.

The Tanners Council of America is a pioneer in promoting quality products. Under a licensing plan it issues seals and labels which certify as to the type of leather used in such products as luggage. Cooperating in this program are the Luggage and Leather Goods Manufacturers Association and the National Luggage Dealers Association. This industry has considerable competition from merchandise that is processed to look like leather but which usually does not have the wearing qualities of leather. A program also has been worked out for educating salesmen in department stores and leather goods shops concerning the various grades of leather and types of finish.

The Tire and Rim Association, composed of manufacturers of tires, rims, wheels, and related parts, arose out of the need, manifest in the early days of the automobile industry, for interchangeability of parts, in order that the public in buying such products might be assured that each part would fit properly the part to which it must be attached, regardless of the identity of the man

facturer. The association has established standards of sizes and shapes for tires, rims, wheels, and related parts, to be followed by its members and by means of inspection assures that such established standards of size and shape are adhered to.

Although the standardization and simplification activities of trade associations have been encouraged by Government agencies, these activities have been cited in several actions of Federal agencies, as instruments for illegal price control. Their possible uses in this connection are generally known and have been referred to elsewhere in this report.¹⁰

A different use of standardization figured in a recent action of the Department of Justice against the Southern Pine Association. In a complaint filed February 21, 1940, it was alleged that the association in a trade promotion campaign had misrepresented the authority behind its standards so as to exclude from certain markets non-member producers of southern pine lumber.¹¹ The first press reports on this case were construed by some trade associations and individual firms as bringing into question the normal simplification and standardization activities of trade associations. In view of such comment Thurman Arnold, Assistant Attorney General, in March 1940 released to the New York Journal of Commerce the following letter:

NEW YORK, Tuesday, March 26, 1940.

EDITOR OF THE JOURNAL OF COMMERCE.

SIR: On March 16, 1940, under the heading "Trade Association Mortality" there appeared in the New York Journal of Commerce the following paragraphs:

"Association officials have become apprehensive about their standardization programs for the first time recently. The reduction in the number of unnecessary models, shapes, and sizes through standardization programs has been an important activity in many associations, and has been encouraged by the Department of Commerce.

"The prosecution of the Southern Pine Association by the Department of Justice for engaging in certain lumber standardization practices has brought them into question."

In view of the wide circulation of the above article among trade association members and executives, I feel it necessary to call to your attention that the quotation is misleading in its interpretation of the action against the Southern Pine Association and its members and in its inferences as to the attitude of the Department of Justice toward trade association standardization programs.

The department in this action was prosecuting a conspiracy to restrain and monopolize interstate trade and commerce in Southern pine lumber. Paragraph 24 of the complaint (substantially similar to Paragraph 23 of the indictment) stated:

"Beginning some time during the year 1925, by virtue of their aforesaid control over the policies and activities of defendant Southern Pine Association, the defendant lumber corporations herein have caused defendant Southern Pine Association to formulate, promulgate, and administer certain grading, grade marking, and inspection rules and practices. While the establishment and use of standard grades, qualities, and sizes of lumber, as proposed and advocated under American Lumber Standards, as set forth hereinbefore, is desirable for the general benefit of both the lumber manufacturing industry and the lumber consuming public, the defendant Southern Pine Association has arbitrarily, unreasonably, and without warrant misused the standardization program of said American Lumber Standards and the textual content, terms, and substance of grading, trade marking, and inspection rules and practices thereunder, with the intent and for the purpose of illegally enhancing the influence and control of its subscribers, including defendant lumber corporations, over the distribution and sale of Southern pine lumber and securing

¹⁰ See ch. III, above, pp. 84-85.

¹¹ For aspects of this case other than standardization see ch. V, above, pp. 234 ff.

for them an unfair competitive advantage, thereby placing unlawful and unreasonable restraints upon the trade and commerce among the several States therein."

It is further set forth in the succeeding paragraphs of the complaint that the standardization program therein mentioned was used by the association for the purpose of eliminating competition and as an aid in blacklisting competing companies not parties to the program.

The consent decree entered into on Feb. 21, 1940, between the United States and the defendants provides that the defendants shall be free to engage in systems of standardizing grades and sizes of lumber which do not operate illegally to restrain interstate trade and commerce.

Thus it will be seen that standardization programs in and of themselves are not condemned by the department. It is the wrongful use to which such programs have been put that has been questioned.

THURMAN ARNOLD,
Assistant Attorney-General.

The judgment of the district court in a consent decree entered February 21, 1940, required that the standardization and inspection work of the Southern Pine Association be carried out in the future in a separate and autonomous bureau, whose services should be available on equal terms to all manufacturers of southern pine lumber. The decree provided further that the management and inspection staff of the Bureau should not—

promote or advance the use of lumber manufactured by members of or subscribers to any trade association, nor shall their services be utilized in connection with any activity to promote the sale and use of the products of any individual manufacturer or any group or association thereof, nor shall they improperly discredit or attempt to destroy any other reputable and competent lumber-grading and inspection agency.

A separate bureau was subsequently established by the industry under the name, "Southern Pine Inspection Bureau."

TRADE PROMOTION

Except for contacting Government agencies and reporting Government developments, trade promotion is the most common activity of national and regional trade associations. Because of the dominance of the objective and the relatively costly character of the devices employed to attain it, trade promotion commands a larger share of the trade association budget than any other line of work.

Trade promotion frequently is developed in conjunction with or based upon other trade association activities. Chief among these are technical research and standardization previously discussed in this chapter. Technical research aimed at developing an improved product or new uses for existing products, or at defining and proving the capacities of existing products, where successful is characteristically followed by a promotional program that seeks to make the results known to present and potential customers. The establishment of minimum standards of quality or performance obviously affords a most effective point of reference for cooperative sales efforts. Also frequently related to trade promotion are trade statistics, which form the basis for research designed to disclose as yet unexploited markets for the industry's products; contacts with Government agencies able to guide Government purchases, which represent an outstanding avenue for efforts to disclose the advantages of and to promote the products of a number of industries; and public relational activities, which when designed to inform or educate the public concerning the uses of

the industry's products, to influence consumer habits, or overcome prejudices toward the products, are indistinguishable from trade promotional activities.

Association trade promotion itself assumes many forms. It commonly takes the form of direct advertising—in general circulation magazines, trade and professional journals, or local newspapers; of publicity by means of radio, billboards, posters, package wrappers, sales leaflets, and letterhead seals; and of supplying members, distributors, or dealers with copy, mats, or other advertising aids. It may take the form of exhibitions and displays at gatherings of public and customer groups; of bulletins and other publications of a technical or commercial nature describing the uses of the industry products; of direct selling efforts through field representatives; of statistical compilations and research that disclose market opportunities; and of advice to members or distributors concerning selling and merchandising techniques. Trade promotion by trade associations may be directed at foreign as well as domestic trade. It may be limited to attempts to coordinate members' individual advertising efforts. It may be dramatized through formal style and season openings or through the promotion of an industry "day" or "week."¹²

Of 1,244 national and regional trade associations,¹³ 876, or 70 percent, reported that they were engaged in some form of trade promotion during the period 1938-39. Six hundred and nineteen, or approximately 50 percent of the total number, reported a major emphasis on trade promotion. There was as expected a definite relationship between financial revenue and extent of activity in this field: Trade promotion was a major service of over 70 percent of associations having an annual income of \$50,000 and over but of somewhat less than 40 percent of groups whose income was less than \$5,000.¹⁴ There was also a considerable difference between industry groups in the relative number of associations reporting this activity.¹⁵ Among associations of manufacturers, trade promotion was reported as a major activity by—

	<i>Percent</i>
Associations in electrical apparatus and supplies-----	79
Associations in lumber and timber basic products-----	67
Associations in paper and allied products-----	65
Associations in stone, clay, glass, and kindred products-----	61
Associations in machinery (except electrical)-----	60

At the other extreme, trade promotion was reported as a major activity by only 34 percent of the associations in the textile mill products group and by 29 percent of those in the apparel group. Among the nonmanufacturing groups, 61 percent of the associations of retailers and 60 percent of those in the service trades reported trade

¹² Among the associations having such "weeks" or "days" in 1939 or 1940 were American Bottlers of Carbonated Beverages (bottle carbonated beverage week); American Hotel Association (hotel week); Associated Grocery Manufacturers of America (parade of progress grocery week); Canned Salmon Industry (canned-salmon week); Florists Telegraph Delivery Association (flower shut-in day); Infant's and Children's Wear Association (children's week); Hat Institute (felt-hat day); National Association of Retail Druggists (first-aid week); National Association of Tobacco Distributors (tobacco week); National Board of Fire Underwriters (fire-prevention week); National Cheese Institute (cheese week); National Confectioners' Association (candy week); National Association of Retail Grocers (grocers' week); National Leather and Shoe Finders' Association (shoe "check-up" days); National Restaurant Association (restaurant week); National Retail Dry Goods Association (retail demonstration week); National Retail Hardware Association (hardware open house); Tea Bureau (tea week).

¹³ Exclusive of those in the field of insurance.

¹⁴ See table 27.

¹⁵ See tables 32 and 32A.

promotion as having a major rank among their services to members. And 78 percent of the reporting associations in finance and real estate indicated a major degree of activity in this field. In this latter group are such associations as the American Association of Personal Finance Companies, National Association of Real Estate Boards, National Association of Sales Finance Companies, and United States Building and Loan League.

Associational trade promotion is the principal medium for pushing, and for publicizing the uses and advantages of, the products or services of an industry as against substitute products. To the extent that an association achieves this end it reduces the need for similar efforts by the individual members and minimizes the duplication of effort arising from this form of publicity. In some branches of industry, such as fuel and lumber and other building materials, the promotional efforts of trade associations themselves are competitive and undoubtedly to some extent offsetting; but, considering the fact that the average annual income of trade associations for all purposes is about \$50,000,¹⁶ the financial expenditure involved in such competitive promotion probably is insignificant compared with similar expenditures by private enterprises.

The claims of an association concerning the products of its members may be exaggerated, and associations sometimes complain that the promotional efforts of associations in competing industries are misleading and unfair. On the other hand, trade promotional efforts may call wider attention to the existence of a product or to existing uses or to new uses for the product; they may demonstrate specific advantages of the product as compared with rival ones; they may publicize the entry on the market of a new or improved product. Or their design may be more fundamental: To modify existing customs and standards of behavior, or to overcome deep-rooted prejudices toward a product, with the end in view of altering consuming habits to the market advantage of the industry.

The following pages summarize a variety of trade promotion campaigns which, according to the sponsoring associations, have been successful in enlarging the market for the products or services of the members. The activities described relate to the period 1938-39 unless otherwise indicated.

The Anthracite Industries, Inc., organized in 1936, specializes in trade promotional activities, its purpose in forming having been to overcome a decline in sales of anthracite coal. In the formulation and furtherance of its program, the association established 6 departments, each headed by a specialist: Equipment Division, to contact equipment manufacturers; Research and Testing Laboratory Division, to conduct research on the properties of anthracite coal, methods of use, and improvement of coal-burning equipment; Independent Research Division, to cooperate with the Mellon Institute in a program of fundamental research; Retail Dealer Educational and Training Division, to conduct merchandising schools; Field Division, consisting of about 35 trained men, to work with the salesmen of anthracite producers, retailers, plumbing and heating contractors, and architects; and Advertising Division, to direct all sales promotional work, including equipment exhibitions. A national campaign of trade promotion was carried on through newspapers, magazines, and other media; advertising also was prepared for use in local newspapers by individual dealers or local trade associations of retail dealers. Pamphlets were prepared and widely distributed covering such subjects as Anthracite Industries' Schools, List of Equipment Approved by the Anthracite Industries Laboratory, Modern An-

¹⁶ During the period, 1937-38.

thracite Equipment, Anthracite Heating Manual, and Anthracite Ashes for Lawn and Garden. Merchandising schools were held for retailers and their employees and for employees of manufacturers of coal-burning equipment. As a result of 3 years of concerted effort, the association recently stated: "Critical dissatisfaction has practically disappeared in the anthracite-producing region, in the growth of a new and clear understanding of the problems of the industry. Car-loadings have increased by approximately 100,000. * * * Dealer morale has been completely altered. Thousands have acquired knowledge of modern merchandising methods. * * * and important technical information about every day heating problems."

The Automobile Manufacturers Association's national used-car exchange week campaign of 1938 helped to "liquidate the greatest overstock of used cars in automobile history," according to the association. The sales managers' committee of the Automobile Manufacturers Association, acting with the sales manager of the Ford Motor Co. (not a member of the association), developed a cooperative advertising program. Advertising details were worked out with the advertising agencies representing the individual manufacturers. Through the National Automobile Dealers Association local dealers were apprised of the plan and shown how they could benefit in proportion to their own promotional efforts. According to the manufacturers association, the ensuing season saw a progressive, sustained reduction in dealer inventories, so that automobile retailers entered the 1939 model-year with light stocks. Indirect benefits, as listed by the association, included improved dealer morale, a more systematic industry approach to problems of retail merchandising, cooperation between manufacturers achieved without sacrifice of competition, and techniques of automobile advertising broadly evaluated.

The Douglas Fir Plywood Association has recently developed a very thorough program of research and promotional activity to revive morale in its industry, improve the quality of the industry's product, and expand consumption. Many distributors had been losing interest in the product, the association stated, because of a lack of research and sales effort; the product was being used largely in home building, for such minor jobs as closet lining and kitchen cupboards; and it was being replaced because of its lack of standardization. In carrying out its program the association increased its facilities for laboratory research; cooperated with outside laboratories to further plywood research by establishing fellowships in universities; interchanged information with other industrial laboratories and Government research agencies. The commercial standards of the National Bureau of Standards covering plywood were revised, and inspectors were hired to check upon the industry's products and to insure quality conformance with the standards. The association developed trademarks for the various grades of plywood, and member mills conforming with the standards were licensed to produce and sell plywood under these names. The next step was a Nation-wide trade paper advertising campaign designed to reach the key specifiers, and many editorial spreads were printed and reprinted for wider trade distribution. Mailing lists were made up of 23,000 lumber dealers, 8,000 architects, 6,000 county farm agents, and 3,000 plywood distributors' salesmen, as well as factory sales representatives, Government agencies, railroads, and other large consuming interests. Many types of trade promotion pamphlets were designed and widely distributed, stress being placed upon the fact that the public could now depend upon the product in every way because of the extensive industrial research work that had been carried on, including tests and inspection of production technique and standards, studies of fire-proofing, compilation of data on acoustical properties of plywood, plywood wall tests, and testing of the strength of glue used in plywood. Trained field men were employed to extend trade education and trade promotion. A special feature of the association's work, according to its claim, was that its management committee of three persons traveled some 46,000 miles during 1 year to further the association's program, each man donating about 6 weeks of his time. In reviewing its program, the association claimed: "An 80-percent increase in average weekly sales. This succeeded as nothing else will in reducing competitive problems to a minimum and in stabilizing employment in the plywood factories. There were many successful experiments with our product in low-cost housing. Distribution costs have been lowered. * * * The employment of several thousand plywood workers has been definitely stabilized. * * * New uses and new markets are constantly being developed. * * * This program looks toward an indefinite one of research and promotional activity."

The Durene Association of America claims significant results from its program of trade promotion to increase the demand for Durene cotton yarn. "Durene" is a trade name owned by the association and used to designate warp-mercerized yarn that is made of combed cotton of no less than 2-ply. In 1938 the association decided that drastic measures were necessary, in view of the fact that production of Durene yarn had decreased to 24,000,000, in 1938, from 58,000,000 pounds in 1929. Although funds were limited, over \$30,000 was subscribed by members for a Nation-wide promotional campaign. It was decided to focus promotional efforts on the use of Durene yarn for underwear. A survey of retail stores disclosed that very few retail clerks had special knowledge of cotton yarn; and that a large proportion of men in recent years were no longer wearing undershirts. A technical study was made, which, according to the association, showed that not only did Durene have greater strength, smoothness, and luster but also a much greater absorption and evaporation power, than ordinary mercerized yarn, thus yielding greater comfort and coolness when used in underwear. An aggressive trade promotion campaign was then carried out with such objectives as:

Retail clerks must be informed of the superiority of Durene.

Manufacturers must be persuaded to have each Durene garment ticketed with an attractive Durene tag.

Manufacturers, wholesalers, and retail stores must be stimulated to feature the advantages of Durene.

Consumers throughout the United States must be reached directly with various types of advertising media.

Field representatives met with clerks of more than 1,000 retail stores, giving talks and distributing pamphlets, such as "I want to be a Good Underwear Salesman." Motion picture sound films were prepared and shown at meetings of clerks in underwear departments of stores and at sales conventions of underwear manufacturers and wholesalers. Stores were induced to feature Durene in their ads, and a direct-mail campaign was addressed to 1,500 manufacturers and wholesalers. Five hundred thousand copies of Maid of Durene were distributed to stimulate the sale of women's and misses' garments, and cooperation was effected with the Cotton Textile Institute and other groups in promoting the 1939 national cotton week. Other publicity media used were celluloid buttons and stickers for use on envelopes. Speeches were made before various consumer groups, educational material was sent to home economics teachers, and advertisements were run in national magazines. Field representatives of the association made personal visits to more than 500 manufacturers and wholesalers. About 10,000 sales demonstration kits were distributed for the use of manufacturers' and wholesalers' salesmen, which demonstrated the "advantages of Durene's absorbing and evaporating power." The association states that the campaign was so successful that members are increasing their promotional contributions to more than \$40,000. It claims that the 1934-38 average production of from 22 to 28 million pounds was increased to 32.4 million pounds in 1939.

For a number of years prior to 1936 the per capita use of wool carpets and rugs had decreased. To halt and reverse this trend the Institute of Carpet Manufacturers launched a campaign to make the American public more carpet and rug conscious and to stimulate intelligent merchandising. A bureau was organized to assist retail stores in the presentation of wool carpets and rugs to the consumer. Thousands of stores subscribed to this service, which included basic truths about the fabrics and special displays for the spring and fall expositions and for the Christmas season. An exposition was held at the Furniture Mart in Chicago, which was attended by approximately 10,000 buyers, store proprietors, and merchandising men. This was followed by an exposition in the Merchandise Mart in Chicago and another in the Textile Building in New York. The exhibit at the Furniture Mart featured 14 ensembles of home furnishings, embodying a large number of suggestions applicable to store sales and showing the latest style trends in design and color. Its trade development program is believed by the institute to have contributed materially to an upturn in the carpet and rug business and to have improved selling processes. Inferior patterns were eliminated—a manufacturing inventory advantage, as well as an improvement in the lines sold. In commenting upon the success of its program, the institute stated: "We feel we have emphasized a method in trade development by an industry which has not only brought results in business, but perhaps more important has strengthened the foundation of cooperative understanding between manufacturer, wholesaler, and retailer, so essential in a highly competitive industry, and which leads to mutually sounder policies in the whole field of production and distribution."

An unusual type of trade promotion campaign has been conducted by the National Association of Food Chains. It has centered on moving surplus agricultural crops into consumption and has been carried on in cooperation with State and national associations of farmers, as well as with national associations of independent food distributors, such as the Cooperative Food Distributors of America. The principal objectives of the program were to demonstrate the value of chain-food-store distribution, to develop new markets for farm products, to stabilize and increase farmers' income by moving seasonal surplus crops into consumption, and to secure for the association's members a larger share of the retail food business. The campaigns for the moving of seasonal farm surpluses were developed at meetings between representatives of leading farm marketing organizations and representatives of chain-food-store companies. Out of these meetings came three developments:

Chain-food-store operators pledged their aid toward the elimination from all branches of the trade of practices to which the farmers objected.

Preference was expressed on the part of both chain-food-store operators and producer groups to deal with one another on a net-price basis, eliminating from their negotiations insofar as possible all intervening brokerages, commissions, and agency allowances.

The members of the National Association of Food Chains pledged their help to the National Cooperative Council, whenever seasonal surpluses and emergencies might threaten a substantial portion of an important crop.

When it was statistically demonstrated that a surplus threatened the market and a request for aid came from farmer organizations representing a substantial majority of the producers of the crop in all major producing areas, the National Association of Food Chains launched a selling campaign. Dates for the Nation-wide sale were set, and members of the association, about 150 chain-food-store companies, were notified. Every type of advertising was prepared for the use of the cooperating companies—newspaper advertisements, handbills, radio announcements, store and window pennants, posters, banners, suggestions for floor, window, counter, and showcase display, recipes, menus, suggestions for the home economics departments of local newspapers. The companies themselves paid for this material, buying the space in the newspapers, the time on the air for broadcasting, the posters and banners for store display. Special meetings of store employees were held, and special bulletins were distributed, to explain the purpose of the campaign, to arouse the interest of the sales personnel in the undertaking, and to assure field cooperation in the selling program. In a recent year, eight such campaigns were made to remove seasonal surpluses that were depressing the producers' market. Commodities included were canned peaches, domestic fresh beef, dried fruit, turkeys and poultry, avocados, walnuts, grapefruit, and lambs. The following extracts are from comments by producers regarding the assistance rendered by the association's campaigns:

"The results in the beef industry are gratifying beyond our fondest hope. The most significant thing is the fact that these results were accomplished in the face of conditions far worse than those which were contemplated at the time we discussed the campaign."

"If it had not been for the drive of the chain stores, I believe our dried-fruit market would now be absolutely demoralized."

The trade promotional activities of the National Association of House Dress Manufacturers in recent years were actuated by a long-felt belief that there would be a considerably widened market for the industry's product if the garments were properly styled and promoted to attract the attention of women of more than moderate means. House dresses had generally been found in the basements of department stores, piled up on counters, and unpressed in appearance. In undertaking its campaign, the association attacked the problem on several fronts. It first disseminated style data among its members and emphasized the need for obtaining the aid of stylists and designers in preparing lines for manufacture. It then carried the campaign directly to the buyers of the leading department stores to obtain their acknowledgment and approval of the entire program. In order to attract a better trade, it was necessary to gain the establishment of special departments in department stores for house dresses and wash frocks and to introduce merchandising methods previously employed only in the sale of better ready-to-wear dresses. Its efforts were culminated in an elaborate industry style and fashion show. A fashion show presenting styles for dresses retailing from 59 cents to not higher than \$7 had never before been presented. The success of the showing, however, was highly gratifying to the

association. More than 140 costumes depicting the cotton dress program were shown and explained by a popular fashion commentator. The show was covered by newspapers, and leading stylists, textile representatives, and manufacturers attended. According to a leading trade journal:

"Those from the silk dress trade who attended the 'Cotton Futures' fashion exhibition, staged by the National Association of House Dress Manufacturers at the Waldorf-Astoria, are impressed with the seriousness of the inter-trade competition emanating from the 'housedress' corner * * * so far has been the advancement in style and the improvement in quality and presentation."

As the campaign continued, department stores expanded their wash-dress departments, opened special departments, conducted full-page advertising of wash dresses. The fashion magazines, recognizing this new trend in American fashion creations, gave effective publicity to the program.

The volume of shoe repairing in the United States dropped from over \$500,000,000 in 1917 to less than \$200,000,000 in 1935, according to the National Leather and Shoe Finders Association. To learn the cause and discover a remedy for this precipitous decline in business, the association laid plans to survey a typical American city. The city of Peoria, Ill., was selected for the experiment, and the survey was conducted by the association, in cooperation with a private commercial research bureau. Approximately a year was required for the completion of the so-called "Peoria Test." Its purpose was to determine whether a larger proportion of the American people could be brought back into the shoe-repair shops by means of improved presentation of services and products and more intelligent selling. A crew of investigators, supplied with an extensive questionnaire, called on approximately 5,000 Peoria homes to determine the attitude of the consumer with respect to shoe repairing and the service rendered in that city. At the same time, the physical characteristics and type of service given by a number of shoe-repair shops were studied. On the basis of consumer criticism and merchandising analysis, the owners of these shops were then instructed in methods of improving the quality and appearance of their work and modernizing their shops, and detailed reports were compiled on their management practices and sales volume. A local advertising campaign was inaugurated, and a number of owners pledged to gear themselves properly into the advertising—by cleaning, painting, and rearranging their shops, improving the quality and appearance of their work, and conducting their businesses so as to gain a greater respect by the consuming public. A comparison of records before and after the advertising campaign, according to the association, indicated that shoe repairing could be profitably advertised; that it was a basically sound service; and that the American people would buy it if they were told about it in the right sort of way and if the service was conducted in the right kind of shops. As stated by the association: "It is our intention to follow through with other advertising campaigns throughout the country. It is hoped that within a relatively few years the industry will be back to where it once was."

In its recent trade promotion work, the aim of the National Lumber Manufacturers Association has been to expand the market for lumber products through a "National Small Homes Demonstration Program," featuring new, well-equipped houses selling for \$1,500 to \$5,000 each. With the cooperation of the Federal Housing Administration, the association enlisted the support of practically all interests in the building field. Three model homes were built with standard lumber materials to see if they could be constructed within the estimates desired. To give local impetus to the program, the association sponsored meetings in 30 States. These meetings, according to association, were attended by nearly 10,000 lumber dealers, and at their close some 3,000 had agreed to build one or more demonstration homes in their communities. Extensive literature was distributed, and a coast-to-coast radio broadcast was given to explain the "National Small Homes Demonstration Program." It was claimed that the program reached, with up-to-date information, more than 1,000,000 prospects for the ownership of good homes in the less-than-\$5,000 price range; and focused the energies of widely diversified building industries upon the common objective of facilitating the building, financing, and ownership of low-priced homes. Many trade associations and thousands of individual manufacturers and dealers cooperated in the movement. In describing this activity, the association states: "The lumber industry, through the National Lumber Manufacturers Association, has been widely commended within and without the

field for having initiated and directed this movement. * * * It was a bold and hazardous enterprise for a single industry * * * and has been regarded as an outstanding demonstration of the effectiveness of a trade association in mobilizing and coordinating the activities of scattered units into an efficient, responsible, and effective cooperation."

The "Clean up and Paint up Campaign" of the National Paint, Varnish, and Lacquer Association, of long duration, has been described by the association as "an established American institution of permanent character." As estimated by the association, it extends annually into approximately 7,000 American communities. Through its national clean-up and paint-up bureau, the association furnishes, without charge, suggestions and plans for the organization and conduct of local campaigns throughout the country. Its plan handbook has been supplemented by a "business-getting" manual indicating to dealers and contractors how they can best stimulate, tie in with, and benefit from local campaigns in their communities. Advertisements and other promotional literature are prepared and distributed by the bureau during the campaign. The benefits of the movement, according to the association, are many, including increased employment; business stimulation by starting building and repair activity and creating a demand for everything needed to make homes clean and attractive; increased property values; and reduction of fire hazards.

In recent years the Toy Manufacturers Association has carried through what it believes to be a signally successful promotional program, designed primarily to build prestige for American-made toys and to increase consumer purchases throughout the year. The first step in the fulfillment of this program was the incorporation of basic information on modern toys in a sales manual, which was distributed to manufacturers, wholesalers, and retailers. This was followed by the preparation of a merchandise manual for toys and playthings, incorporating the best merchandising and promotional ideas available. Newspapers, magazines, radio, and moving pictures were utilized to dramatize to consumers the reasons children need a variety of toys every day in the year. An American toy fair was sponsored by the association as a spring event, and special publicity was given to toys in connection with Children's Day and with Child Health Week. Another phase of the publicity program was the presentation of the broader phases of the industry to the American public. The objective of this effort was to place the toy industry as one of importance in the industrial scheme, meriting governmental encouragement and protection. Wide publicity was obtained for the reasons American toy manufacturers required protection against foreign competition if they were to maintain high standards of safety and sanitation and the prevailing wage scale. Emphasis was given to the theory that American children require American toys, because they teach the highest ideals of American citizenship. It is the belief of the association that its program not only increased the sales of American toys and playthings but also led to the production and distribution of more purposeful and worth-while toys and increased the effective use of these toys by the consumer. A leading distributor in the industry, writing to the association, expressed his thoughts as follows: "We believe your broad efforts for the general welfare of the distributor form one of the most constructive programs we have had in any of the industries with which I have had contact. I believe you are to be highly congratulated upon the intelligent efforts to create toy consciousness in the minds of the consumer throughout the year."

EMPLOYER-EMPLOYEE RELATIONS

Trade association services in the field of employer-employee relations include a variety of activities, the principal ones of which are the making of surveys and the giving of advice and assistance with respect to wages, hours, working conditions, and collective bargaining; activities designed to promote employee welfare and safety; and employee training.

These services were not a prominent feature of the work of national and regional trade associations prior to 1930. This year marked the beginning of a period of widespread unemployment and the enactment of a number of basic labor laws, among which were the Norris-LaGuardia Act of 1932, the National Industrial Recovery Act of 1933,

the Social Security Act of 1935, the National Labor Relations Act of 1935, the Public Contracts Act of 1936, and the Fair Labor Standards Act of 1938. The development of labor relational activities among trade associations in recent years, however, was preceded by significant work on the part of trade associations in a number of industries, notably the apprentice-training program of associations in printing and other industries, negotiations with organized labor by employer building, printing, and apparel organizations, and the establishment of unemployment reserves by an association of clothing manufacturers.

Employer-employee relations is now one of the principal centers of trade association attention. During the period 1938-39, service in this field ranked fourth among the activities of national and regional trade associations and seventh among the major activities of these associations. As is indicated in table 26, of 1,244 national and regional trade associations,¹⁷ 755, or approximately 61 percent, reported that they rendered one or more types of employer-employee service during this period. Three hundred and seventy-seven associations, or approximately 30 percent of the total, regarded these services as a major activity. Employer-employee relations is a service that is found to a much greater extent in some industries than in others, being particularly prominent among associations in construction, coal mining, and apparel manufacturing. On the other hand, it was reported by relatively few associations in the wholesale trade, the finance and real-estate field, and certain manufacturing groups. Of the national and regional associations covered by the survey, employer-employee relations was a major activity, according to table 32, of approximately 76 percent of those in construction (general and special trade contractors); 67 percent of those in coal mining; 67 percent of those in apparel manufacturing; 57 percent of those in automobile and automobile equipment manufacturing; and 57 percent of those in rubber and leather products manufacturing. In marked contrast are the following ratios:

	<i>Percent</i>
Manufacturing of transportation equipment (except automobiles)-----	6
Manufacturing of electrical apparatus and supplies-----	14
Wholesale trade-----	16
Finance and real estate-----	22
Manufacturing of chemicals and allied products-----	23
Manufacturing of machinery (except electrical)-----	23

The following data, which are taken from table 25, show of 1,244 national and regional trade associations the proportion that reported each of five types of labor relations activity:

Type of activity	Percent report- ing some activity	Percent report- ing ma- jor degree of activity
Surveys, advice, and assistance relative to wages, hours, and working conditions.....	52	23
Welfare, including safety	22	7
Employee training.....	16	7
Surveys, advice, and assistance relative to collective bargaining	16	9
Placement service	14	2

¹⁷ Exclusive of those in the field of insurance.

As may be seen from the above data, by far the most common type of labor-relations activity engaged in by national and regional trade associations is that of surveys, advice, and assistance with respect to wages, hours, and working conditions. The advice and assistance given by trade associations on these matters is largely that of assembling data that will reveal to the interested members the practices of competitors, the experience of the industry as a whole, and the experience of related industries. There are, of course, many labor subjects on which an association may supply helpful information to members, among which are:

Personal practices: Hours of work; rates of pay; pay periods; methods of payment; financial and nonfinancial incentives; vacations; bases for occupational classifications; hiring and termination procedures; employee rating and promotional procedures; methods of handling complaints.

Employment:

Health and welfare standards: Plant dispensaries, medical and nursing facilities; safety and health programs; cafeterias; social and recreational activities; financial plans, such as special savings funds, credit unions, group insurance.

Training and educational activities: Specialized training for mechanical, clerical, or sales employees; general training through educational programs, forums, et cetera; employee magazines.¹⁸

From the evidence at hand it appears that relatively few national and regional trade associations, even among the 280-some associations that reported placing a major emphasis on labor informational service, regularly collect and disseminate original data on wages, hours, and employment. For such information, the compilations of the United States Bureau of Labor Statistics and State labor departments, the National Industrial Conference Board, and recently the Social Security Board and State unemployment compensation agencies, are widely used. It is in the conduct from time to time of special surveys of these and other subjects referred to above that trade associations have made significant contributions. These surveys frequently have been initiated as the result of such legislation as the Public Contracts Act and Fair Labor Standards Act, which permit the administrative agency to vary the application of the legislative standards to accord in some degree at least with the experience of the individual industry.

A second type of employer-employee relations activity is that of encouraging the members of the association to promote employee welfare and safety. Two hundred and seventy-one national and regional trade associations reported activity in this connection, 85 reporting a major degree of activity. It is probable that among these there were a number of associations whose activity did not extend beyond the dissemination of information on the employee-welfare practices of association members and members of related industries. Such informational services gradually merge into educational programs, looking toward a lessening of accidents, sickness, occupational diseases, and fatigue. Thus, the Radio Manufacturers Association reports that it has established an engineering department with an expert staff, which is charged with the responsibility of encouraging and guiding manufacturers in this industry to take all possible steps to provide safe working conditions for employees. The National Crushed Stone Association each year awards prizes to crushed stone quarries having the

¹⁸ Cf. Chamber of Commerce of the United States, Trade Association Department, *Employer-Employee Relation Activities of Trade Associations* (1937).

fewest number of accidents. This association and the National Industrial Sand Association are among a number cooperating with the Air Hygiene Institute in efforts to lessen injuries to employees from silicosis. Among other associations that conduct annual contests for accident prevention are the National Lime Association, American Petroleum Institute, International Association of Milk Dealers, and the Gray Iron Founders Society. The last-mentioned association furnishes accident prevention posters and similar material to members and offers prizes to foundry employees of member companies who have violated no safety rules and suffered no accident involving loss of time during the period covered by the contest.

Nearly 200 national and regional trade associations reported that they engaged in some form of employee-training work, and of these 84 regarded it as a major activity. Several examples of employee training programs are given below. It will be noted that some of these programs are closely related in objective to trade promotion, previously discussed in this chapter.

The American Bankers Association, through its affiliate, the American Bankers Institute, has carried on employee-training courses in hundreds of cities for many years, covering all major phases of banking practice. Many thousand employees enroll in these courses every year.

The American Institute of Laundering provides, in addition to home-study courses, a full-time vocational training school for employees. This school is housed in the \$500,000 home of the institute. Students must be sponsored by a member of the institute, be at least 20 years of age, and have had a high-school education and at least 1 year's practical laundry experience. The course covers such subjects as power plant, production, washroom practice and textiles, sales and advertising, and accounting and office administration. The National Association of Dyers and Cleaners also maintains, in an industrial plant adjoining its headquarters office, a vocational training course for members and their employees.

The Merchandising Institute of the National Retail Lumber Dealers Association is a coordinating agency for 28 dealers' and 11 manufacturers' trade associations in the lumber and building materials industry throughout the country. It was established to overcome the problem faced in making—

retailers and their employees more effective and important factors in meeting the need and opportunity for stimulating new home construction and home modernization in their communities. * * * The lack of a selling tradition among our retailers and employees in general, and ignorance of the techniques of selling as practiced by competing industries resulted in indifferent use of available selling tools which our associations and manufacturers had developed.

Among these techniques were suggested advertising copy, specifications for better housing designs, yard lay-out, office displays, and systems for estimating the cost of house and modernization jobs. The institute has a field director to coordinate its work with that of the State and regional associations and 8 field representatives. To forward its program the institute has organized a "tested selling methods" program, which is built around a home-study course supplemented by local conferences. It reports that over 3,000 lumber dealers and their employees have enrolled in this course.

One phase of employee training to which the Federal Government has given direct aid is apprenticeship training. The Federal Committee on Apprenticeship Training was created in 1934 to develop a broad apprenticeship training program for the United States on the basis of voluntary cooperative action between employers and employees, trade associations and labor unions, and State and city educational agencies. A number of trade associations, in cooperation with the committee, have developed and sponsored standards for training and apprenticeship agreements, which define wages, hours, educational procedures, etc. To provide a proper basis for employee training of various kinds, some associations have analyzed industrial and mechanical trends in their industries, in some instances with the cooperation of the Federal Board for Vocational Education (established under the Smith-Hughes Act of 1917) and State educational institutions.

One of the pioneers in this field of educational effort is the Heating, Piping, and Air Conditioning Contractors National Association. Its apprenticeship plans have been adopted by a number of local unions and local trade associations in the industry and cover term of apprenticeship, school instruction, work training, and hours and wages. According to a study of the American Association for Adult Education:

* * * the Heating, Piping, and Air Conditioning Contractors National Association depends almost entirely on public vocational schools to carry on courses, in cooperation with the local trade associations, while it assumes the task of writing basic texts and teaching materials, promoting programs, and stimulating interest on the part of employees and employers in a training program.

Frequently the national Association is directly responsible for the initiation of courses. For example, when the need for a course becomes apparent, the Association itself approaches the local director of vocational education in the public-school system or suggests that the local association do so. If there is money available from Smith-Hughes and local funds for the proposed course and the school is willing to make necessary arrangements for giving it, the national or local trade association, as the case may be, gets in touch with the local labor union in the trade concerned. The representatives of the school, the trade association, and the union then come together to discuss the course. Usually, for the sake of convenience, a small committee of representatives of the three groups is appointed, which discusses the course in detail and recommends the instructor.¹⁰

A fourth type of trade association labor relations activity is the making of surveys and the giving of advice and assistance with respect to collective bargaining. One hundred and ninety-seven national and regional associations reported that they were engaged in such activity during the period, 1938-39; of these 113 regarded it as one of their major activities. It should be noted that this category includes associations that limit their service to supplying members with information and advice concerning collective-bargaining practice as well as those that actually serve as the members' agency for bargaining with groups of employees. Many of the 113 associations referred to above have not extended their services in this field to the point of serving as the industry's collective-bargaining agent.

The work of the National Sand and Gravel Association exemplifies the comprehensive type of informational service carried on by trade associations with respect to collective bargaining. In one of its surveys it attempted to obtain, for the purpose of later dissemination to the industry, information on such questions as: "Are your operations

¹⁰ L. Rowden, *Enlightened Self-Interest: A Study of Educational Programs of Trade Associations*, American Association for Adult Education (1937), p. 31.

open shop throughout, or part open shop and part closed shop, or completely unionized?" It then asked: "If part open and part closed, what departments are open and what are closed shop?" Other questions were designed to bring out what the members considered to be their basic workday, basic workweek, and minimum wages for common labor, semiskilled, and skilled labor. Reports were requested from members regarding labor difficulties: "If difficulties were experienced, explain the nature, specifying in what departments of your operations the labor difficulty arose. Have there been any boycotts or attempted boycotts of your materials because of your labor policy?" Where operations were unionized in whole or in part the association requested that members send copies of their contracts with local unions to association headquarters; it also requested information concerning whether the unions were vertical or horizontal and other basic information that could be analyzed and made available to sand and gravel firms concerned with collective bargaining. In addition, it requested information on whether there had been shortages of skilled labor, as well as information on labor conditions in allied industries in each member's geographic area. Another example of an association that supplies members with information on collective-bargaining practice is the International Association of Electrotypers and Stereotypers. This association through its monthly bulletin informs its members of agreements between local employers' associations and local unions in this industry.

Among the industries in which trade associations have pioneered in collective bargaining are the apparel trades. Collective bargaining in these trades plays a vital role, not only in determining the policies of the employer with respect to his employees, but also in conditioning the trade practice policies of employers one with another. The dress industry illustrates the arrangements that have been worked out between trade associations and unions in this group of industries.

The dress industry is largely centered in the New York industrial area. Workers and employers are represented in their dealings by elected representatives of their respective associations. The workers are represented by the International Ladies' Garment Workers' Union, which is organized into local unions along a craft or language basis in the city and on an industry basis in the outlying districts. For collective-bargaining purposes the local unions of dress workers are affiliated in a joint board. The dress manufacturers are organized largely according to their functional position in the trade. There are separate associations for the inside manufacturers, who perform the entire manufacturing process on their own premises; the jobbers, who style, and sometimes cut, the garments and then turn the garments over to contractors for completion, the finished garments being returned to the jobbers for marketing; and the contractors themselves. The problem which this functional division of the industry has given rise to has been stated in a report of the Industrial Relations Division of the United States Bureau of Labor Statistics:

Numerically the contractors are by far the most important employing group, but since their orders are received only from the jobbers, this latter group occupies a unique position of control in the industry. No small part of the instability in women's clothing manufacture, an industry traditionally disturbed by pronounced seasonal fluctuations, has been due to this jobber-contractor relationship under which there has been severe competitive bidding among the numerous contractors. The elimination of this cause of instability has been the

chief problem confronting workers and employers in their efforts toward union-management regulation of the industry.²⁰

Four associations represent the dress manufacturers in Greater New York. The inside manufacturers are organized as the Affiliated Dress Manufacturers, Inc.; the jobbers, as the National Dress Manufacturers Association, Inc., and the Popular Priced Dress Manufacturers Group, Inc., the latter representing only those firms handling dresses that wholesale for \$4.75 or less. These 3 associations in recent years have covered about 950 shops employing nearly 25,000 workers. More than 80,000 workers have been employed by some 2,200 contract shops, the owners of which are organized as the United Association of Dress Manufacturers, Inc.

The current agreements are signed by the union and the employers' associations for the entire metropolitan area. Final authority to enforce the agreements is given to the administrator, head of an administrative board which interprets the industrial laws established through collective bargaining and contains representatives of the union and the associations. The position of impartial chairman also has been created to rule on cases on which the administrative board cannot reach an agreement. The following excerpts from the above-mentioned report describe various aspects of the agreement concerning enforcement machinery, jobber-contractor relationships, wage rates, and the labor market:

In addition to establishing the position of administrator, the agreements give various policing duties to the associations and the union. The associations must impose a fine on members they find dealing with nonunion or nondesignated contractors or violating the hours and workday rules. The amount of such fine must be sufficient to offset advantage gained by the employer through such transaction, together with an appropriate penalty. For a second offense the offender is to be expelled from his association unless the union agrees to another penalty. All fines are to be applied to the expense of maintaining the administrator.

Once a month representatives of the union and the association are to examine the books and records of all members in order to determine compliance. If the union at any time suspects a jobber of dealing with nonunion or non-designated contractors, its representatives may examine the books and records, upon filing a request with the association. If such a member refuses to cooperate, delays, or falsifies his records, he forfeits his rights and privileges under the agreement; in other words, a strike against his firm is then permissible. * * *

Regulation of this matter [jobber-contractor relationship] involves both the number of contractors permitted for each jobber and the method of price settlement for contract work. Two principles are the basis for the detailed provisions: (1) No jobber may deal with a nonunion contractor, and (2) a jobber must use only the number of contractors actually required to manufacture his garments. The second principle is an innovation designed to alleviate the cutthroat competition among contractors.

To effectuate these principles the union must furnish the associations a list of union shops, making revisions at least once a week. The jobber, in turn, must designate * * * the names of contractors necessary to his business, these contractors to be considered as on permanent status as long as they maintain union shops. Unless otherwise allowed by the administrative board, contractors may be designated by only one jobber and jobbers may use only designated contractors. Additions to or changes in the list of contractors may be made only with the approval of the board, which must render a decision within 2 days, except in the low-priced jobbers' agreement where the limit is 5 days. Increased volume of business and a change in the jobber's product are the only grounds for

²⁰ United States Bureau of Labor Statistics, *Union-Management Relations in the Women's Clothing Industry*, New York Industrial Area, 1936, reprint from the *Monthly Labor Review* (July 1936).

adding to or changing his designated contractors. Temporary additions may be made, to care for seasonal expansion, when necessary, but not more than one addition at a time unless otherwise ordered by the board. * * *

In slack times the jobber must divide the available work equally on the basis of the number of machine operators employed in his permanent contract shops and in his inside shop, if he maintains one. Expansion by employing more machine operators can be made in any shop only with the approval of the administrative board.

Because the piece rates vary with each style of garment, price lists in this industry cannot be set up in advance. Minima are established by the agreements, but rates for each lot of work must be determined as the orders are received. Prices, however, are no longer to be settled by unrestrained competition between contractors. Under the new system representatives of the jobber, the union, and the workers involved meet on the jobbers' or on neutral premises. Uniform piece rates are then determined for the jobber and his contractors by direct settlement between the jobber and the workers concerned. The jobber is to settle with his contractors for a reasonable additional amount to be paid them for overhead and profits. * * *

The administrative board is assigned the task of working out * * * a system or guide for computing prices in order to bring about uniform labor costs for similar work. * * *

A final type of labor-relations activity reported by trade associations is the placement service. One hundred and sixty-nine national and regional trade associations reported activity along this line, but only 23 regarded it as a major activity. According to information furnished in this survey, relatively few national and regional trade associations maintain a direct service to employees or a systematic record of vacancies and applications. Rather does the typical service take the form simply of news items or "trade wants" ads, relaying notices, as they are received from the members, that technical workers or salesmen are needed or available.

GOVERNMENT RELATIONS

Government relations characterize an area of trade association service that embraces three types of activity: The reporting of governmental activities; acting as the industry representative in contacting legislative bodies and technical, executive, and administrative agencies; and the rendering of information and assistance to Government bodies. There are few associations that do not engage in one or more of these types of work, and Government relations is the most frequently encountered activity of national and regional trade associations at the present time. The prominence of this activity in part may be attributed to the unparalleled growth of Federal legislation affecting business in recent years. In part it may be attributed to the fact that Government relational work, particularly in representing the industry before Government bodies, is a method that trade associations find helpful in carrying out their programs of activity in a number of other fields.

The role that Government relations have played in various other fields of trade association activity has been indicated in preceding sections of this report and need not be developed here. To recall a few, it has been through the sponsoring of trade practice conference rules under the auspices of the Federal Trade Commission and the sponsoring of legislation that some associations have attempted to achieve the control of some types of competitive practice. In compiling and disseminating trade statistics many associations have enlisted the services of agencies of the Federal Government. Most trade associations that

are engaged in fundamental product standardization or simplification to a greater or less degree have sought the services of the National Bureau of Standards or have engaged in negotiation with Federal, State, and municipal agencies concerned with product certification and, particularly in the fields of construction and food and drugs, with standards of safety and health. In carrying out programs of technical research, trade associations have available the facilities of the National Bureau of Standards and other agencies, which they frequently employ. In a number of industries cooperative trade promotion to a considerable extent is a matter of promoting the purchases by Government agencies of members' products or, through contacting tariff or trade agreement agencies, of attempting to protect or expand the members' domestic or foreign markets. In the field of labor relations, trade associations are actively concerned that legislative and administrative acts shall not encroach upon the interests of their members. But they also find Government agencies a principal source of information concerning wages, hours, and working conditions in their industries.

The importance of this work is indicated by the fact that of 1,244 national and regional trade associations,²¹ 1,022, or 82 percent of the total, reported that they were active in Government relations during the period, 1938-39. Seven hundred and twenty-one, or 58 percent of the total, reported a major degree of activity in this field. Of the various industry groups, the highest percentage of associations reporting Government relations as a major activity occurred in finance and real estate, followed closely by transportation, communication, and other public utilities.²² Approximately 82 percent of the associations in these industry groups assigned a major importance to their activities in this field. Among other nonmanufacturing groups, approximately 58 percent of the associations in the wholesale trade and in the service trades reported a major emphasis on Government relations, while 47 percent of the associations in the retail trade were in this category. Among associations of producers, the five industry groups that ranked highest in this respect were:

Percent of associations reporting a major degree of activity

Industry group:

Petroleum production and refining and natural-gas production.....	82
Mining (other than coal) and quarrying.....	73
Automobile and automobile equipment.....	71
Stone, clay, glass, and kindred products.....	70
Chemicals and allied products.....	69

The most common Government relations service of trade associations is keeping members abreast of Government developments. Approximately 63 percent of the 1,244 associations indicated that they were engaged in "reporting governmental activities"; and nearly one-third indicated that this was one of their major services. It is probable, however, that these figures reflect only those associations that provide a regular, periodic review of governmental developments through legislative bulletins, news letters, digests, and other means; few trade associations will fail to note and review for their members Government events intimately affecting their industry when they arise.

²¹ Exclusive of those in the field of insurance.

²² See tables 32 and 32A.

Although the legislative services of some associations perhaps are more comprehensive than is justified by their news value and the members' interest in the information, there is no service that is as universally recognized as a responsibility of the trade association as that of following and reporting governmental activities significantly affecting the members. In this connection, Sidney Anderson, former president of the Millers National Federation, made the following remarks before the 1936 annual convention of the American Trade Association Executives:

There is no field in which industry expects, or gets more from its trade associations than in that of relations with governmental bodies. This becomes more true year by year, as government, and particularly the Federal government, plays an ever-increasing part in our business and industrial life. And it is precisely in this field that the trade association is best equipped to do a good job, because it is in such matters that it is most likely to have the united support of its membership. Industry expects and has a right to expect that the trade associations will keep it fully, promptly, and accurately advised as to what is going on in all governmental activities relating to its welfare. * * * An obscure little paragraph in a pending bill may, if enacted into law, seriously affect the daily business activities of hundreds of people who never even heard of its existence. An inconspicuous ruling by a Federal bureau may have a vital influence on the conduct of scores of industries. * * * A new tax in California may directly affect a manufacturer in Massachusetts. A court decision in Texas may provide a needed warning to a retailer in Minnesota. * * * The big corporation may have a legal department of its own, with facilities for the analysis of governmental activities, but the average trade association member has no such advantages.

A fairly typical example of the service national associations provide members in connection with Federal legislation is the legislative service of the Office Equipment Manufacturers Institute. The secretary of this association reports that copies of pending Federal bills which it is felt are of interest to its industry are obtained from Washington and sent to its members. Usually résumés or analyses of these bills also are prepared, if such are not made available for distribution by the Government agencies themselves. The secretary forwards this information so that members may be fully aware, as he states, of "the obligations imposed and privileges made available by those laws, the procedures which must be followed in living up to these laws, and developments which take place as the laws are put into operation." Some of the items which the institute has supplied members in recent years under the heading of "Legislative Service" are detailed analyses covering the provisions of the National Labor Relations Act and Federal and State social security laws; a compilation of cases handled by the National Labor Relations Board, and important Board decisions; a compilation outlining all commercial treaties and agreements between the United States and other countries; a special report under the heading, "Social Security Developments"; an outline of important Federal Trade Commission decisions on the Robinson-Patman Act.

Many large trade associations have recognized in recent years that their members expect the secretary not only to watch Federal legislation but also to do the best he can to keep in touch with the activities of State legislatures. Such well-financed organizations as the Automobile Manufacturers Association provide comprehensive services of this type. Thus, in an address on "State Legislation That May Pass in 1939" the manager of the legislative department of this associa-

tion, Harry Meixell, stated that trade association members and executives—

have a very real and vital interest in what will take place during the coming years in the legislative halls of the States. * * * During [the last 2 years] there were over 80,000 bills introduced in the legislatures. * * * approximately 15,000 became laws. A great share of these bills and laws dealt with subjects of vital interest and concern to industry, trade, and business generally. Taking into consideration the motor vehicle industry * * * there were over 8,000 proposals, directly or indirectly, dealing with all or some of the branches of the industry, from which more than 1,500 laws eventuated.

The services of many associations extend beyond the mere reporting of Government developments to the active representation of the members' interests before Government bodies. A trade association characteristically assumes this responsibility when the governmental activity in question has a particular bearing on its industry. With respect to such legislation as the Social Security Act, which affects many industries uniformly, many trade associations supplement their own analytical studies and representations with those of such large federations of business groups as the Chamber of Commerce of the United States and the National Association of Manufacturers.

The importance of this activity is indicated by the following data, which show the proportion of national and regional trade associations reporting that during the period, 1938-39, they had served as their industry's representative in contacting various governmental bodies:

Type of agency	Some activity	Major degree of activity
Legislative bodies.....	45	23
Tariff and trade-agreement agencies.....	32	15
Scientific or technical agencies.....	31	12
Taxation agencies.....	24	10
Other executive or administrative agencies.....	45	21

In connection with legislation and the semilegislative acts of administrative agencies, the trade association may actively sponsor or oppose a measure, or it may be concerned only that a measure shall not enforce unreasonable or impossible operating conditions on the industry. A variety of means are used by trade associations to influence the course of legislative and administrative enactments, ranging from national campaigns based upon months of intensive effort designed to mold public opinion and to establish contacts with individual legislators, to the filing of a statement with a legislative committee. They frequently take the form of actual appearances before congressional committees and of inducing association members to write or telegraph Members of Congress on particular bills.

One of the fields of legislation in which some trade associations have been very active in recent years is that dealing with price policies affecting the wholesale and retail trades. For example, in the forefront of the effort to obtain congressional approval of the Miller-Tydings bill (an act approving resale price maintenance in interstate transactions under certain conditions, which was introduced in 1936 and became a Federal law in 1937) was the National Association of Retail Druggists, one of the comparatively few national associations with affiliated associations in each State. The thoroughness of its campaign is touched upon in a series of articles in its trade journal:

At the time of the opening of the present Washington office, a careful study was made of the methods used in the past in attempts to influence the legislative mind. After examining all the facts and the results obtained, we came to the inescapable conclusion that a new approach was not only in order but absolutely necessary if we were to expect results. With this opinion crystallized, we conceived the idea of the Congressional Contact Committees in every Congressional District and in every State. This was based on the theory that in every such political subdivision there resided several retail druggists who were close personal or political friends of their Congressman or Senator and that an appeal or a request from one or two such individuals would be of far greater value than a hundred letters or telegrams from persons unknown to the legislator.²³

We now ask again that every State and local association * * * select a qualified man in every county in every State to serve on the Congressional Contact Committees. * * * We further ask that when these County selections are made complete that an organized effort be made to contact personally every Congressman and every Senator upon the Tydings-Miller Bill. The average Congressional District is not large. Usually they cover only four or five counties. Officers of State and local associations are urged to make this contact work their primary function during the next 2 months.²⁴

Forty-four States of the Union are now organized as never before in history for the purpose of furthering legislation. * * * We have the proper contact men in this country. They now number over 2,000. We are now asking that each of these 2,000 men form a Committee of their own in their own local community, consisting of 10 other independent businessmen who will work and move as a unit when called upon by the N A R D Washington office.²⁵

Again we ask every loyal N.A.R.D. member to sit down immediately upon the reading of these columns and write again to the Senators and Congressmen and to repeat that performance every week until you are advised that this legislation * * * has passed the last barrier in the congressional steeplechase.²⁶

The prestige of the N A R D in Washington and in Congress has continued to grow until we have at last reached the time when the office of every Senator and every Congressman is open to the representatives of the N.A.R.D., as well as every department of our National Government.²⁷

It is generally accepted that group action, whether by business, agricultural, labor, or other special-interest organizations, to influence the course of legislation is a natural and entirely proper expression of democratic institutions. Criticism arises when the methods of action involve the use of devious, misrepresentative, or fraudulent tactics. Such practices have been condemned by State legislation and have been the subject of a number of Federal investigations. The lobbying activities of few trade associations have been condemned by congressional investigatory committees during the past decade.²⁸

Another aspect of the Government relations work of trade associations is that of giving information and assistance to Government bodies. Of 1,244 national and regional trade associations,²⁹ 50 percent

²³ N. A. R. D. Journal, October 3, 1935, p. 1223.

²⁴ Ibid., November 5, 1936, p. 1552.

²⁵ Ibid., January 7, 1937, p. 36.

²⁶ Ibid., February 18, 1937, p. 282.

²⁷ Ibid., October 7, 1937, p. 1632.

²⁸ As of 1938, some 30 States had passed laws of one kind or another dealing with "lobbying." Such legislation characteristically requires the filing of expense accounts, registration of legislative agents, and prohibition of fees contingent upon the passage of legislation. (See C. C. Rohlfing, E. W. Carter, B. W. West, and J. G. Hervey, *Business and Government*, Foundation Press, Chicago, 1938 pp. 126-127.) During the period 1929-31, a subcommittee of the Judiciary Committee of the United States Senate held hearings pursuant to S. Res. 20, 71st Cong., 1st sess.: "A resolution to investigate the activities of lobbying associations and lobbyists in and around Washington, District of Columbia." These hearings are contained in 11 volumes, under the title "Lobby Investigation." Senator Caraway was chairman of the investigation committee. In 1935 the Judiciary Committee held hearings on "Registration and Regulation of Lobbyists," pursuant to a bill to define lobbyists, to require registration of lobbyists, and provide regulation thereof. Senator Black was the author of the bill, which was not enacted. Among other extensive congressional surveys of lobbying were those held during 1935-38, comprising 8 volumes in all, known as the Utility Holding Company Lobbying Investigation, carried out under the chairmanship of Senator Black.

²⁹ Exclusive of those in the field of insurance.

reported that they performed such a service during the period 1938-39, 30 percent stating that it represented one of their major activities. This information and assistance takes many forms. For example, for current trade statistics the Government has relied to a considerable extent upon data collected by trade associations. It has enlisted the services of trade associations in conducting special statistical and economic surveys and has constantly sought their advice in preparing schedules and mailing lists for its own surveys. It has relied on trade association knowledge of industry conditions in drafting specialized legislation and administration rulings, and has benefited from the publicity given by trade associations to legislative and administrative acts and their efforts to enlist industry's cooperation in support of them. It has sought the assistance and information of trade associations on technical and engineering surveys and projects and has profited from trade association publicity of its technical findings. A few examples will suggest the variety of information and assistance given Government agencies by national and regional trade associations.

The Aeronautical Chamber of Commerce has cooperated with the Government in its efforts to bring the Nation's aviation industry to the highest state of efficiency. As stated by this association in 1938: "There are at least 14 departments and bureaus of the Federal Government interested in aviation, besides other agencies which occasionally deal with aeronautical matters. The National Advisory Committee for Aeronautics, the Department of Commerce, the United States Civil Aeronautics Authority, the Army, Navy, and Coast Guard aviation branches, and the Department of Labor are among those bureaus actively interested in aviation. They required from the Chamber a large quantity of industrial information, that is, data collected from all companies and assembled into coordinated reports. Then there are committees of Congress, standing and special, agents of the Department of Justice, among other official investigators, who request information from the Aeronautical Chamber."

The American Railway Car Institute furnishes to the Interstate Commerce Commission monthly statistics on the number of freight and passenger cars ordered and delivered in foreign and domestic commerce and an annual statement of cars built and delivered.

The Automobile Manufacturers Association for many years has cooperated with various Government bureaus in the compilation of current data on the industry. It furnishes monthly data on factory sales of passenger cars and trucks to the Census Bureau; monthly data on total retail sales to the Bureau of Foreign and Domestic Commerce; and monthly data on the number of employees, pay roll, and aggregate man-hours to the Bureau of Labor Statistics. The association states that it has joined with other groups to create the Automotive Safety Foundation, which today is cooperating with civic organizations in the development of public opinion and support of public officials whose problem is traffic-law enforcement. The foundation has cooperated with various Government agencies in the development of safe standards for the operation of motor vehicles and the development of facilities for their safe use.

The Manufacturing Chemists Association states that it is in constant contact with officials in the National Institute of Health, the Army and Navy, and the Interstate Commerce Commission, supplying these and other agencies with facts concerning such matters as the making of drugs and explosives.

In addition to assistance furnished a number of Federal Government agencies, the National Electrical Manufacturers Association states that its "advice and help is frequently sought by municipal electrical inspectors and state administrative boards and legislative committees in connection with the preparation of municipal electrical inspection, contractor licensing, or sales control ordinances or State laws. * * * This has become a very important function of N. E. M. A."

The Portland Cement Association maintains close contact with governmental bodies using cement in quantities. For a number of years representatives of the United States Corps of Engineers have taken short courses in concrete design and control at the association's Chicago laboratory; in connection with

the preparation of specifications for Boulder Dam, the association's research director served as a member of the Board of Consulting Engineers on Concrete Problems for the United States Reclamation Bureau. The results of the association's laboratory and field studies in concrete pavement construction have been made available to the United States Bureau of Public Roads and State highway departments and to the Civil Aeronautics Authority and other Federal agencies interested in airport design. The Procurement Division of the United States Treasury Department has had the cooperation of the association in connection with the Government's extensive building program during recent years.

The Radio Manufacturers Association cooperates with the Federal Communications Commission through a special joint engineering committee for improvement of radio service to the public in connection with allocations of radio frequencies, standards, and fundamental policies relating to broadcasting. It has supplied the Departments of Commerce and State with weekly programs of American short-wave broadcast stations for distribution to their foreign offices; and has furnished the United States Bureau of Education with voluminous data on types of radios and sound equipment for installation in schools and colleges.

The Rubber Manufacturers Association reports continuous relations with various Government agencies, such as: The State Department—in connection with its program of insuring an adequate supply of crude rubber for the United States and particularly in connection with negotiations with the International Rubber Regulation Committee, which controls the production and exports of crude rubber from producing countries; the War and Navy Departments—in connection with the development and improvement of war materials and equipment made in whole or in part of rubber; the Bureau of Standards and the Federal Specifications Executive Committee—in connection with the formulation of Government specifications for rubber products, including rubber product research; the Treasury Department—in connection with the administration of the excise tax on tires and tubes; the Bureau of Labor Statistics—in connection with the collecting of information on employment, employees' compensation, and commodity prices in the rubber industry; the Department of Commerce—in supplying that agency with current trade statistics on the rubber industry.

The United Infants' and Children's Wear Association, reports that it has cooperated with and furnished information to the United States Bureau of Home Economics with reference to the latter's program of standardizing the sizes of children's garments.

The United States Brewers Association states that one of its foremost activities is to provide information to the Federal Alcohol Administration on the practices of the industry on such matters as labeling, advertising standards, and credit.

In giving information and assistance to Government bodies, trade associations have performed an outstanding service, a service whose chief significance was indicated by Mr. Pyke Johnson, formerly president of the American Trade Association Executives and now executive head of the Automobile Manufacturers Association, when he said:

Without service of this sort, it is clear that either the operations of Government itself would have to be enormously expanded—in spite of which it would still lack the intimate inside knowledge which is so frequently a requisite to an understanding of a practical operation—or Government would be deluged with the complaints and problems of the thousands upon thousands of individual enterprises affected in their daily life by the growing list of administrative rules and regulations.³⁰

Reference may be made before concluding to the two foremost federations in the trade association field, the National Association of Manufacturers, formed in 1895, and the Chamber of Commerce of the United States, formed in 1912, both of which have played a leading role in the relations of organized business with the Federal Government.

³⁰ Industrial Representation at Washington, reprint from *Sphère* (February 1940).

The National Association of Manufacturers, in 1938, had more than 3,000 direct individual and firm members; in addition the National Industrial Council of the association had a membership of approximately 300 National, State, and local organizations of manufacturers. Its annual revenue in recent years has averaged somewhat over \$1,000,000. The Chamber of Commerce of the United States, in 1938, received over \$1,000,000 from its members, not including gross receipts from advertising in and subscriptions to its monthly magazine, *Nation's Business*, of approximately \$1,500,000. Its membership, in 1938, was composed of about 9,000 individual and firm members and approximately 1,500 organization members (about 1,100 local chambers of commerce, 110 State and local trade associations, 30 local "employers' associations," and 275 national and regional trade associations). The annual dues of the 1,500 organizations averaged approximately \$60. A considerable number of these national and interstate trade associations also hold membership in the National Industrial Council of the National Association of Manufacturers, and a number of large manufacturing corporations are heavy contributors to both the "N. A. M." and the "National Chamber," whose attitudes on broad National issues generally have been alike.

From time to time these two national business organizations report to their members in some detail their Government relations services pertaining to specific bills before Congress or State legislatures. Thus, at the time many broad legislative proposals were under consideration, the National Association of Manufacturers, in 1935, summarized in a bulletin to its members its legislative services to American manufacturing interests as follows:

The National Association of Manufacturers is the medium through which American industry is able to voice a united opinion on vital national questions.

The National Association of Manufacturers ascertains this opinion fairly and impartially and sees that it is presented to the proper authorities. * * *

The National Association of Manufacturers safeguards legitimate business earnings against unwise taxes, unwise legislation, and unwise attacks.

Maintenance of the full efficiency of the National Association of Manufacturers is your best insurance against legislation which might seriously affect your own interests. * * *

LET'S LOOK AT THE RECORD !

The N. A. M.'s participation in the Seventy-third Congress:

Wagner labor disputes bill to create permanent National Labor Board: Secured three important concessions from Wagner, which made bill less acceptable to labor. Mustered witnesses against bill, conducted Nation-wide educational campaign against it. Obtained compromise resolution.

Securities Exchange Act to control stock exchanges: Appeared against its provisions to further regulate industry from Washington by stressing the need for eliminating recognized abuses from the exchanges; synchronized activities of several large industrial groups seeking amendments, organized National Committee for the Modification of the Industrial Sections of the Securities Exchange Act, and conducted intensive campaign to awaken industrialists to the hidden provisions of the Bill.

Unemployment Insurance to levy 5% tax on payrolls as a means of compelling States to enact unemployment insurance bills: Appeared in opposition before Bill was to be reported to House Committee—presented the only general opposition by an industrial organization. Measure died in committee.

Tariff bill to give President power to negotiate and make effective trade bargaining agreements and alter tariffs 50% without referring to Senate for approval: Appeared before House Ways and Means Committee, agreeing to necessity for expanding foreign trade but contending fundamentally that veto power should not be taken from the Senate and for amendment to provide hear-

ings for affected industries so that one would not be traded off for another without presenting its case. Bill enacted but with amendment proposed.

Amendment of the Agricultural Adjustment Act: Appeared in opposition before the Senate Agricultural Committee citing legal and constitutional objections of industry. Measure died in Senate Calendar.

Harrison-Sadowski Bill granting consent of Congress for States to tax interstate shipments: (Legislation sought by States having sales taxes). Appeared in opposition before House Interstate and Foreign Commerce Committee, the only national industrial organization to testify. Cited unconstitutionality and danger of erecting system that might lead to State tariff laws and interfere seriously with free flow of commerce. Measure died in House Committee.

Modification of Securities Act of 1933: Appeared before Senate Banking and Currency Committee on Securities Exchange Regulatory Bill and before N R A public hearings on codes, emphasized need for modification. Sent to every Member of Congress comparison of British Securities Control Act with this country's legislation. Number of amendments obtained.

Amendment of Bankruptcy Act to relieve corporations: Began agitation three years ago for legislation to extend to private corporations opportunities for relief previously extended private individuals and railroad corporations. Sat in conference formulating bill. Supported legislation before Joint Committee of both Houses of Congress. Legislation enacted.

Great Lakes-St. Lawrence Waterways Treaty: Through convention resolution and other publicity sought to mold public sentiment against ratification by Senate. Ratification defeated.

Adjustment of Government Contracts because of rising costs under Recovery program: Pressure exerted steadily for enactment.

Presidential Power to license industry under Recovery Act: Called danger of this provision to attention Senate Interstate Commerce Committee—only national organization to take this position. Once stricken out but was finally reinstated—limited to one-year period instead of life of Recovery Act. Has expired.²¹

During recent years both the National Association of Manufacturers and the Chamber of Commerce of the United States have emphasized the public relations aspect of their work and have carried on extensive campaigns throughout the country to better acquaint the general public, as well as Government agencies, with industrial problems. The foremost slogan of the campaign of the Chamber of Commerce has been "What Helps Business Helps You." Thousands of outdoor billboards have carried this message, and many other advertising media have been used by the Chamber and cooperating business organizations.

The campaign of the National Association of Manufacturers to "tell industry's story" has been conducted by its national industrial information committee. The campaign was described in a report of the committee in part as follows:

We know that the American industrial system has produced in the past and offers in the future that better living which others glibly promise but cannot deliver. **BUT THE PUBLIC DOES NOT KNOW THIS.** It is a fact which is startlingly proven by an exhaustive national survey of public opinion recently completed at the direction of this Committee. * * * Nearly 45 percent of the people believe that Industry has been remiss in relieving unemployment and only 40 percent believe it has done its best. * * * Nothing more clearly proves the necessity of reselling to the people the industrial system that has given them by far the highest standard of living in the world. * * * For three years the National Association of Manufacturers through the National Industrial Information committee has been developing its carefully conceived program of Public Information.

A list is then submitted of media which the association had used to publicize its viewpoint, including—

²¹ As quoted in *Violations of Free Speech and Rights of Labor*, hearings before a subcommittee of the Committee on Education and Labor, U. S. Senate, pt. 17 (1938), pp. 7528-7531.

"*American Family Robinson*"—a dramatic radio program, "combining entertainment with simple facts about the American industrial system through a series of 15 minute electrical transcriptions used for more than two years on stations from coast to coast."

"*You and Industry*"—a series of booklets to educators, professional men and women, schools and libraries, and others throughout the country * * * the first attempt to popularize the facts about industry, making them attractive and entertaining."

"*You and Your National Affairs*"—a daily column for newspapers "popularizing economics for the masses."

"*Foreign language news service*"—this program reached newspapers "printed in four foreign languages."

"*Radio programs in six languages.*"

"*Daily comic feature*"—(Uncle Abner Says) "one of America's most popular comic features."

Other media included special articles in weekly newspapers and business papers; full-page newspaper advertisements; arranging of speakers for special occasions; motion pictures ("Men and Machines," a short with narration by Lowell Thomas, "banishes the myth that machines are the principal source of unemployment"); leaflets; plant publications; sound slide films; shareholders' letters; and other forms of public and employee contacts.³²

³² Ibid., pp. 7693-7696.

CHAPTER VIII

SUMMARY AND CONCLUSIONS

Like cooperative organizations in the fields of labor and agriculture the national and regional trade association is today a well-established and accepted American institution. It has extended to every branch of industry, and in numerous ways has been encouraged and fostered by the laws of this country. Indeed, among the principal stimuli to the trade association movement have been the demands of the Government on business during periods of national emergency, such as the first World War and the generally depressed condition facing the country at the time of the establishment of the N. R. A. in 1933. It is not improbable that the present defense emergency will have a similar significance to the movement.

It is impossible, of course, to generalize about the trade association movement without being aware that there are a number of associations which the generalization does not fit. Trade associations cover such diverse industrial fields as consumer-and-producer goods manufacturing, wholesaling, retailing, construction, insurance, finance, warehousing, transportation and other public utilities, personal services, motion picture production and distribution, and fisheries. The heterogeneous circumstances of these industries and the varied extent of the public interest in them are reflected in the characteristics, objectives, and activities of their trade associations. Trade associations differ in the formality of their organization, in number of member enterprises, extent of industry coverage, geographical concentration of the membership, income, size of staff, financial and political structure, extent of affiliation with other groups, and character of management. Some have been continuously active since the Civil War; many date their origin as far back only as the N. R. A. Some are concerned with the achievement of but one major objective, whereas others have extended their activities into innumerable fields of cooperative endeavor. Some engage in activities that clash with public policy, some in activities that merely raise questions of public policy, and still others in activities that are clearly within the established boundaries of legal propriety.

Examination of this varied picture, however, enables one to visualize the typical national and regional trade association. Somewhat over two-thirds of the associations are national in scope. Somewhat over 80 percent are associations of manufacturers, wholesalers, or retailers; 64 percent are associations of manufacturers. Fifty-six percent have a membership of less than 50 enterprises; 44 percent, one of between 10 and 50 enterprises. Eighty-four percent represent more than 50 percent of the volume of business of their respective industries; nearly 50 percent represent more than 75 percent. Eighty percent have an annual income of less than \$50,000; 51 percent, one of between \$5,000

and \$50,000. Sixty-seven percent have a paid staff of 5 or less persons; 48 percent, one of 2 or less persons. Nearly 90 percent were organized after the year 1900, 56 percent after 1919, and 27 percent after 1933. Approximately 54 percent are incorporated.

The political structure of the typical trade association is democratic. Few trade associations have established membership restrictions other than that the candidate be a member of the industry covered by the association and agree to abide by its standards of good behavior and dues-paying requirements. Withdrawal from the association characteristically may be accomplished without penalty. Although the typical association includes within its membership the large firms in the industry and apportions the amount of dues and assessments to be paid by members according to their size or business volume, in the case of approximately 44 percent of the associations there was little or no difference in the amounts contributed by the individual members. The vast majority of associations allow only one vote per member regardless of size or amount of contributions. Large contributors guide the policy determinations of some associations, but there is little reason to believe that the trade association organization, as such, often serves as an instrument of domination by large over small firms in an industry. Rather is an obtrusive position by a large firm likely to limit the scope of the association's membership and activity or to lead to its disintegration.

The typical national and regional trade association is unaffiliated and independently administered. Slightly less than 15 percent of the associations are members of federations of trade associations,¹ and the majority of these are regional associations federated in national groups. Approximately one-fifth of the national and regional trade associations in 1939 were administered by management organizations (defined as persons or firms that operate or manage more than 1 association). Of 114 such organizations, 103 handled fewer than 5 associations. The 11 organizations handling 5 or more associations accounted for approximately 37 percent of the total number of associations administered by management organizations. In general, the product scope of associations administered by these organizations is narrowly defined, and their membership is relatively small and representative. Management organizations, on the whole, perform as wide a variety of activities as do the staffs of other associations but place a greater emphasis on services of a statistical character. Regardless of how an association is administered, it relies heavily on the services of committees and meetings of the members in carrying out its activities.

Most trade associations are concerned with achieving one or more objectives that find wide acceptance. These include: (1) The development of efficiency in production and distribution—by means of product simplification and standardization; technical research and technical advisory services; market and merchandising research; the promotion of cost accounting systems and the collection and dissemination of cost data. (2) Development of new products and new uses for products and the publicizing of qualities and uses of existing products—by means of technical research; quality standardization and labeling; cooperative advertising; exhibitions; technical and commercial publi-

¹ Exclusive of memberships in the Chamber of Commerce of the United States and the National Association of Manufacturers.

cations; and field contacts. (3) Elimination of product and service misrepresentation and coercive practices condemned in principle by existing law—by means of quality standardization and labeling; and cooperation with the Federal Trade Commission through its trade practice conference procedure. (4) Rendering to Government agencies of information and assistance on matters concerning the industry and the publicity of governmental legislative and administrative acts affecting the industry. (5) Representation of industry interests in dealing with Government bodies, labor organizations, trade and customer groups. (6) Advancement of knowledge concerning economic and labor conditions in the industry. (7) In general, serving as a medium through which members of the industry may exchange their experience with respect to matters of mutual interest. The number of these objectives emphasized by any trade association depends primarily on the character of the industry and its problems and on the size and coverage of the membership. Large associations tend to emphasize a greater number of activities than do small associations.

The principal question which the present survey has posed concerns those efforts of trade associations that have a tendency to restrain competition or in some degree to modify the force of competitive circumstances. The following discussion of this question is not pertinent to associations in the fields of agriculture, transportation and other public utilities, finance, and insurance, because these businesses to a greater or less extent have been exempted from the application of antitrust policy. Moreover, it ignores considerations that may point to a modification of antitrust policy in the interest of military preparedness and considerations involved in the control of wages, hours, and other working conditions. Finally, it disregards the fact that some associations restrain competition in a rather distant sense, having a single laboratory instead of each member struggling with his own experimentation, to cite an illustration.

A trade association may serve as means of restraining competition in two ways: (1) By fostering mutual restraints of competition among the members of the industry; and (2) by furthering actions designed to suppress the competition of enterprises outside the group. Both of these types of restraint may be present in a concerted action, or one may appear without the other. The latter condition applies particularly to efforts of business competitors to eliminate competition among themselves; in many instances these efforts do not extend to any action that would interfere with the entry and participation in the market of competitors outside the group, although the group naturally desires to obtain the cooperation of every important outside competitor.

Of the two types of restraint the second is much less frequently found among the activities of trade associations than the first. Group action to eliminate competition from enterprises outside the group, unless backed by legislation ordinarily requires coercion. Group coercion in turn encounters definite legal obstacles, which is not necessarily true of mutual efforts of association members to minimize competition among themselves. Even among the recorded cases, restraints of this type figure infrequently compared with mutual restraints of competition, if one may judge by the prosecutions of the Federal Trade Commission and the Department of Justice during the 4-year period following the N. R. A. One of the principal expressions of such restraint as evidenced by these prosecutions was the action of groups

of wholesalers or retailers to eliminate the competition of manufacturers by preventing them from selling directly to retailers or consumers and, at the same time, to eliminate the competition of chain stores and other large outlets that combined wholesaling and retailing functions. The boycott was the principal weapon employed in these programs. In another group of cases the respondent groups were concerned primarily with the elimination of competitors in the same functional class rather than with the preservation of a distribution function threatened with diminution or extinction by new distribution forms and practices. A wide variety of effort was alleged in these cases, ranging from the attempt of an association of physicians to hinder and obstruct the operations of a cooperative, group-health organization, to the threat and use by local trucksters and fish dealers of injury, violence, sabotage, and other methods employed by persons labeled as "gangsters" and "gorillas." In several cases it was charged that to make the restraints effective the cooperation of local unions of employees was enlisted to deprive competitors outside the group of a labor supply. A prominent group of cases involved actions of major motion-picture interests against independent exhibitors. And in two cases associations of apparel manufacturers and dealers were implicated for having used the boycott in an attempt to prevent the imitation of original designs, or so-called "design piracy."

Mutual restraints of competition, or, to avoid any invidious connotation which the term "restraint" may have, cooperative efforts that are designed or have the capacity in some degree to temper the force of competitive circumstances, are found among the activities of a large proportion of national and regional trade associations. These efforts, fundamentally, proceed from the fact that competition, however initiated, encounters no natural force or circumstance that halts the movement at the level of cost and from the fact that there is no characteristic of the market that automatically corrects a competitive situation in which the members of an industry fail to cover their costs. Economists reason that if business competitors have a complete knowledge of one another's price policies, the adverse consequences to them of price cutting, and the point of best adjustment to the general market situation, that prices will be so established and maintained as to yield the maximum of possible net returns or minimize the losses, or that to the extent business competitors have this knowledge and foresight they will avoid the unnecessarily unprofitable or destructive consequences of competition. But it is also a fact that such wisdom does not issue spontaneously from the circumstances of the market.

That unmitigated rivalry for the available business of an industry through price competition is shortsighted economics and a potentially destructive business policy is characteristic of the thinking encountered in trade association circles. It is deemed to be within the best interests of the participants in the market that rivalry be moderated—restrained in some degree. This principle of business conduct is urged in most instances, not as a means to an unlimited exploitation of the market, but as a means of achieving "market stability," or "price stability"—as a way of avoiding "destructive" or "cut-throat" competition, "price demoralization," or "chaotic competition." Trade associations differ, of course, in the explicitness with which they define and in the emphasis which they place on this objective. Some associ-

ations do not concern themselves with the problem in any way. They even argue that efforts to influence the behavior of members would automatically lead to the death of the association. Others engage in activities that have a stabilizing tendency purely as a matter of course, in some cases with little or no awareness of the significance of their actions. In other instances, or at other times, the association may concentrate its every effort on the control of competition.

In their endeavor to promote the stability of the industry the staff and leaders of the trade association may actively attempt to indoctrinate the members with the principle of voluntary self-restraint in the market. Or, accepting as sufficient the individual members' belief in its desirability, the association may endeavor to implement this policy by recommendations concerning specific trade practices or by collecting and disseminating trade information that will enable the members to act intelligently in accordance with a far-sighted attitude toward the market. Or, in the event of intense competition among the members or chronic "chiseling" by competitors outside the association, the association may attempt through collusion to attain the market stability that could not be achieved by less direct means.

Mutual restraints on price competition through collusion include agreements or understandings to fix and maintain prices, to restrict production and deliveries, and to allocate customers and markets. The agreement or understanding may or may not be accompanied by supplementary devices and sanctions. The study of the prosecutions of the Federal Trade Commission and the Department of Justice against trade associations referred to above shows that in a number of instances no supplementary actions of any kind were a part of the alleged restraint. More often, however, it was charged that the respondent group had employed one or more devices to implement the basic agreement or understanding. These included, in addition to collusion with respect to various elements of price policies, such as delivery terms, customer classification, quantity and trade discounts, credit terms, price guarantees, and other terms and conditions of sale, the requirement that distributors maintain the respondent manufacturers' suggested resale prices; the buying out of stocks of materials likely to depress the market; the use of cost estimating methods and statistics on cost experience to establish a level of minimum prices; the reporting of prices—both prices received in past transactions and current and future price offers—to determine compliance with the agreement or understanding on basic prices and terms and conditions of sale; the use of trade statistics covering production, inventories, deliveries, orders, and the like, to determine conformance with the group's policy of restricting production or deliveries or of allocating markets or customers; field audits and other forms of direct surveillance; the use of product standardization and simplification to establish a basis for price comparison or to prevent evasion through the substitution of higher quality goods than those invoiced. This list, while not exhaustive, indicates the variety of the devices that may be employed to bring about the consummation of agreements and understandings to fix and maintain prices, restrict production and deliveries, and allocate customers and markets. When thus used they form a part of the mechanism and from a functional standpoint must necessarily be considered a form of collusive restraint.

To be distinguished from the devices that form a part of the mechanism of collusive restraint are those actions that are designed to secure the adherence of the parties to the established line of conduct. These sanctions range from purely educational efforts by the association staff to intimidation and violence against recalcitrants. In a substantial number of the cases it was not apparent that any sanction had been employed, self-interest evidently having been sufficient to ensure the compliance of the parties concerned. In a relatively large number of other cases it was alleged that an organized plan of exhortation accompanied the restraint. More forcible sanctions against recalcitrant members of the industry included expulsion from the association, financial penalty, boycott, predatory price cutting, effecting withdrawal of credit, disparagement, misrepresentation of Federal law, and other threats and uses of "coercion" or "disciplinary action." These devices, some of which appear to be illegal per se, also are forms of collusive restraint when used to advance or enforce an agreement or understanding to eliminate or minimize price competition.

Although trade associations from time to time are implicated in charges of collusive restraints on competition, there appears to be ground for the often-repeated contention of trade association leaders that a large majority of trade associations, at least those of national and regional scope, avoid sponsoring or participating in this type of concerted action. Considerably less than 10 percent of the national and regional trade associations were implicated in indictments and complaints brought by the Department of Justice and Federal Trade Commission alleging collusive restraint of trade during the period from June 1935 to October 1939. This figure has certain obvious limitations as a measure of the prevalence of collusive action through trade association, but it does lend credence to the generalization. Collusive restraints sometimes are encountered among informal groups of businessmen without the auspices of formal associations. And the recent program of the Department of Justice against restraints in the building industry suggests that collusive practices may be fairly common among trade associations of local membership scope. By and large, however, it is not collusive restraint of trade that constitutes the principal problem raised by the activities of national and regional trade associations but rather those forms of restraint that do not involve collusion, as this term has been considered above.

There are a number of reasons why trade associations seek to avoid collusive restraints on price competition. Fear of prosecution by anti-trust agencies without question has been an effective deterrent. Many associations cannot afford the expense of litigation. Prominent firms fear that implication will lessen public goodwill toward them. And the typical trade association executive desires to abide by the law and knows that a clash with antitrust agencies may jeopardize his professional standing in the trade association movement and the integrity of his association. The nuisance of informal investigation by these agencies in itself promotes caution. Trade association executives emphasize, moreover, that agreements to restrain competition require a high degree of mutual trust, the violation of which is likely to cause bitterness and demoralization, from which an association may recover only with extreme difficulty.

Noncollusive efforts by trade associations to achieve "market stability" are principally of three types: (1) The fostering of trade practice standards; (2) the dissemination of trade statistics and price information; and (3) the promulgation of uniform cost accounting prin-

ciples and guides and the dissemination of cost statistics. These approaches are found singly and in conjunction with one another. For simplicity, their interrelationships will be disregarded.²

The fostering of trade practice standards ranges in form from the occasional, personal effort of the executive to iron out differences or misunderstandings arising from particular transactional circumstances to the promulgation of elaborate sets of trade ethics designed to guide the members' policies with respect to distribution and conditions and terms of sale. In some instances little more is done than to declare the desirability of a policy of temperance in competing for the industry's market; this may be supplemented by a more or less detailed exposition of the train of events that is likely to follow shortsighted behavior in the market. Such a policy may be embodied in a formal statement of principles, or it may be urged quite informally and unsystematically. Probably more often this principle of conduct is interpreted in terms of desired behavior with respect to specific terms and conditions of sale. These recommendations or suggestions—guides to behavior—ordinarily deal, not with the basic price, but with the terms that supplement and modify this price. They sometimes are incorporated in standard business forms rather than in formal codes of ethics and in some instances do not appear in written form. Through market surveys the customs of the trade may be crystallized to discourage the innovation and spread of practices that may undermine the stability of the market.

Recommendations concerning specific trade practices vary considerably from association to association in the detail and the extent to which carried. Many associations carefully avoid in their published codes of trade practice standards any suggestions concerning members' price policies, while the codes of other associations cover a multitude of terms and conditions of sale. A line obviously is drawn by some associations between what seem to them to be reasonable restrictions and what might be interpreted as unreasonable. Efforts to obtain compliance with the recommended practice usually are informal in character. There may be no sanctions in effect other than the economic self-interest and personal conscience of the individual members. Or the association staff or leaders may resort to remonstrance, exhortation, and reprimand. A few instances were encountered in which the rules were supported by financial penalties.

The most prevalent noncollusive approach to the problem of achieving market stability is the dissemination of current price information and trade statistics on production, stocks, shipments, and orders. The primary reason for the collection and dissemination of this information is to furnish the members a factual basis for current decisions regarding prices and production. There can be little doubt that the trade statistics and price information issued by some associations, whether because they are poorly designed in the light of the industry's needs, poorly presented, or lacking in coverage, timeliness, or accuracy, are indifferently received by many or all the members. And experience has shown that in some instances the immediate result of the dissemination of such information, by revealing underlying market weaknesses or the market positions of bitter rivals, has been to intensify

²The use of patent pools and cross-licensing systems to control prices, production, and investment has been a subject of other investigations by the Temporary National Economic Committee. The present survey disclosed very few such pools or arrangements formally administered by or established under the auspices of national and regional trade associations.

competition. Such a tendency may be of temporary duration or be limited to markets in certain areas. If prolonged or widespread, it will endanger the statistical program if not the association itself. A statistical program which from the standpoint of the trade association serves successfully to guide the price and production policies of the members rests on a general acceptance in the industry, whether conscious or otherwise, of the principle that mutual self-restraint in the market is needed if the stability of the industry is to be safeguarded. A policy of temperance in competing for the market, however, will not long be adhered to as a principle of business conduct if there is ignorance about what is happening in or to the market.

Trade statistics that indicate the extent of the market make it possible for the individual member to determine his own position in the market, a comparison that it is common for associations to emphasize by indicating to each member on his reports only his proportion of the industry total. This information enables any company to determine whether it is obtaining its normal share of the available business, and is expected to discourage competitive moves that result in frequent shifts in volume from one company to another at the cost of a depressed price level for the industry as a whole. In addition to relating the individual member's position to that of the industry, trade statistics serve to show trends in the business of the members as a whole. There are some associations that cannot or do not attempt to stress the relationship of individual company to group performance. In industries in which there are many small units, or in which the association's statistical coverage is relatively incomplete, informational guides to the price and production policies of the members are likely to be limited to industry trend data. Such statistics may represent only a single measure of business activity, or they may comprise several series, which afford some measure of supply-and-demand relationships. The participants in an industry-reporting plan can readily learn to watch for certain relationships that call for adjustments in prices or in production schedules. Inasmuch, however, as the statistical signposts may or may not achieve the unanimity in response to a given situation that is desired, the trade association may undertake to guide its members toward a common interpretation and uniform response to a given statistical relationship.

The comparatively small proportion of national and regional trade associations reporting that they provide members with price information—15 percent as compared with the 44 percent reporting that they compile current trade statistics—suggests that legally permissible forms of price reporting generally are regarded as less effective means of stabilizing market conditions than are trade statistics. The marked decline in price-filing activity after the invalidation of N. R. A. codes supports this view. Since the N. R. A., trade associations, for the most part, have confined their activity to the exchange of printed price lists or to the reporting of data on past transactions. Price publicity serves to prevent price concealment—whether this concealment takes the form of deliberate, indirect price concessions or variation of prices among customers, whether it results from misinformation given by buyers concerning the price offers of rival sellers, or whether it exists merely because of the absence of any adequate means of price publicity. Price concealment makes possible the differential price advantage needed by the price cutter, and creates uncertainty and suspicion among competitors, who may reduce

prices simply as a measure of precaution. The capacity of a price reporting plan for reducing price concealment varies with the extent to which it provides for timeliness, detail, and accuracy in the price information.

Several devices are employed by trade associations to promote price stabilization through the medium of a cost accounting program. The wide adoption by an industry of a uniform cost accounting system obviously may reduce price cutting arising from ignorance of costs. Some trade associations have promoted uniformity in costs by incorporating in cost systems provisions for valuing raw materials at current market value, industry norms of plant utilization, uniform depreciation rates, revaluation of plant, average burden rates, and other provisions embodying industry norms or yardsticks. Other cost systems include items, such as income taxes and interest on investment, which have a tendency to establish unrealistically high cost bases. As a supplement to or a substitute for uniform cost accounting systems some associations recommend the use of cost estimating devices and price lists based on average or representative costs. These guides may be so comprehensive in scope as to result, if followed, in practically complete uniformity in total costs among the members of an industry; or their tendency to promote uniformity may be limited to certain elements of cost. Cost statistics, particularly of average costs, aside from their importance in the formulation of cost and price estimating bases, have a very direct value in promoting price stability. They may be independently adopted by individual firms as a basis for establishing prices; and they provide concrete points for references concerning the desirability of maintaining prices.

A general indication of the prevalence of the above-discussed activities is afforded by the fact that 966, or approximately 81 percent, of 1,175 national and regional trade associations, exclusive of those in transportation, public utilities, and insurance, reported some activity during the period 1938-39 in one or more of these fields: Trade practices, trade statistics and/or price or bid information, uniform accounting and/or cost statistics.³ A better indication of the emphasis placed on these activities is gained by confining the comparison to associations reporting the activities as having a "major" importance. Seven hundred and forty-one, or approximately 63 percent, of the 1,175 associations reported a major degree of activity along one or more of these 3 lines. There is considerable variation among industry groups in the types of activity emphasized. Reporting a much greater emphasis on trade practice activity than on the other 2 activities were associations in the wholesale, retail, and service trades, associations in the apparel, printing, and construction industries. Industries whose associations tended to concentrate on statistical and accounting activities, on the other hand, include paper and paper products, finished lumber products, machinery, and electrical apparatus and supplies. Emphasis on statistical activity in large part is confined to associations having a relatively small membership, emphasis on trade prac-

³ The significance of this figure is limited by the absence of information concerning the nature of the "trade practice" activities of many associations. It is known that a number of associations, while promulgating rules of the type sponsored by the Federal Trade Commission against misrepresentative and deceptive practices, did not promulgate recommendations on matters of price policy. On the other hand, it is known that a number of associations did extend their recommendations to this field of policy; and it is to be presumed that among the associations whose promulgated ethics did not cover this area of practice there were some that fostered unwritten standards of pricing practice.

tice and accounting activity relatively more often being found among associations with a relatively large number of members.

The difference between collusive and noncollusive approaches to the achievement of price stability essentially is one only of the directness of the device. Collusion in its clearest form is an agreement to follow a common policy with respect to price or volume; it may or may not involve supplementary educational, informational, or coercive measures to foster, police, or enforce the agreement. Noncollusive measures stop short of agreement; in their clearest forms they are educational and informational in character and operate by strengthening, implementing, or articulating the belief of individual businessmen that mutual self-restraint in competing for the available business of an industry is a wise business policy. The exact point or points at which group activity directed at the achievement of price stability assumes a collusive form manifestly cannot be stated as a general proposition, which in part accounts for the area of legal doubt concerning the application of the antitrust laws to trade association activities.

Collusion theoretically is the more precise and effective instrument for stabilizing competition. Actually, as is emphasized by many trade association leaders, it may not be as effective in the long run as efforts that are primarily educational or informational in character. Success depends not only on the character of the device but also on the degree of similarity among the members of an industry in business methods and strategic market opportunities. Many obstacles stand in the way of a stabilization program, regardless of the type of device employed. Among these are a large number of firms, ease of entry into the industry, differences among members in the structure of distribution and type of buyer served, differences in product lines and in the nature and extent of the use of advertising and other forms of sales promotion, differences in financial power, differences in production efficiency and extent of integration, differences in the character of the labor market, and differences in the geographical location of the members. Differences among members in methods of doing business may make it impossible sufficiently to identify the interests which members have in common to make a price agreement effective, without, however, nullifying educational efforts on the part of the association looking to a greater measure of price stability. On the other hand, the existence of such differences may cause particular factions within an industry to attempt to achieve through coercive means or through legislation the market stability that could not be achieved by voluntary, cooperative effort.

In support of their efforts to achieve price stability, trade association leaders contend that unrestrained competition, particularly under conditions of excess capacity and depressed demand, has a tendency to drive prices to levels that are destructive of the interests of the enterprises, their investors, workers in the industry, and in the long run of the interests of consumers as well. This competition, it is contended, injures the efficient along with the inefficient firms and leads to further concentration of economic power in those concerns that have the greatest financial staying power. It destroys capital and reduces the incentive to replace capital or to increase production efficiency. It contributes to irregularity of operation, periods of production in excess of what the market can possibly absorb being followed by periods of business stagnation and unemployment. And regardless of its degree, competition, it is asserted.

results in uneconomic, wasteful, and disorderly practices of marked dimension.

To deny or disregard these claims as lacking in essential truth or wide application is to argue for the enforcement of really free competition. Such a position would point to a policy of forbidding not only the collusive restraints of trade but all trade association activities that may result in a lessening of competition. In an extreme form it would outlaw trade association activity in fostering trade practice standards dealing with production, price, and distribution policies, in disseminating current trade, price, and cost statistics, in promoting cost accounting principles, cost and price estimating guides, and in furthering product standardization and simplification. It might forbid trade associations altogether, on the ground that people who are to compete fiercely should never be allowed to be convivial together.

A less extreme position, which would retain the purely informational activities of trade associations and associational standardization and simplification, would point to an extension of antitrust policy to clearly outlaw such practices as the following: Any recommendation or discussion concerning the desirability of voluntary or mutual restraint in competition; and any criticism of the price, production, or distribution policies of any member of the industry. Any recommendation or discussion concerning the desirability or undesirability of adoption by members of the industry of particular list prices or basic prices, price differentials, terms or conditions of sale, distribution policies, or volume-of-production policies, whether or not these particular practices or policies were based on or represented the customary or historical practice of the industry. Any indication or exposition, whether on statistical releases, in meetings, or by other means, of the implications of trade, price, cost, or other business data concerning the desirability or undesirability of any price, volume-of-production, or distribution policy. Any agreement calling for a lapse of time between the announcing of price changes to the association, its members, or the trade and the date such changes become effective; any agreement to adhere to announced prices for any period of time; and any agreement not to change the announced prices without giving prior notice of such change to the association, its members, or the trade. Any agreement not to revise or modify the provisions of original bids or not to submit alternative bids. Any recommendation of cost accounting or cost estimating methods or principles that include items of cost or procedures for computing or combining costs that are not in accord with sound accounting practice; in any event, any recommendation of cost accounting or cost estimating methods or principles that involve the use of particular labor, material, or machine requirements, values, or cost or price relationships. Any imposition of, or agreement to impose, any penalty, other than the withdrawing of the privileges of membership in the association, for nonadherence to association requirements or recommendations concerning statistics, accounting, standardization, or simplification.

To agree, on the other hand, with the position of trade associations regarding the excesses of unrestrained competition, is to argue for discarding the present distinction between collusive and noncollusive restraints on competition and for permitting any industry that is distressed by too much competition to adopt such methods as would

be most effective in correcting its situation. Most trade association leaders would be prepared to admit that controls of this nature should be subject to Government supervision or participation but would favor some procedure whereby they would be given more freedom to deal with their problems.

The positions taken by the proponents of market stabilization, on the one hand, and of free competition, on the other, both carry the implication that the existing legal character of the antitrust laws needs change. For the antitrust laws as they have been interpreted represent in fact if not in design a compromise between these viewpoints. In determining which groups to proceed against and the nature and severity of the penalties to be imposed, prosecuting agencies, moreover, may to some degree recognize the destructiveness of unrestrained competition in particular industries and the reasonableness of group efforts to meet the problem. The fact remains, however, that these agencies cannot within established legal precedents sanction any constructive ordering of competition that involves agreement to follow a common price or volume policy. And, on the other hand, it is doubtful whether they can proceed successfully against group efforts that restrain competition unless such efforts extend to actions that may be reasonably interpreted as collusive in nature.

The difficulty of evaluating public policy as it applies to the activities of trade associations arises in considerable part from the present lack of knowledge concerning the incidence of unrestrained competition and adequate techniques of the public supervision or control that presumably would be necessary if the antitrust laws were relaxed. For this purpose, it would be desirable to give to some agency of the Government the definite responsibility for developing a body of facts that would permit a discerning appraisal of antitrust policy. Its research should test not only the hypothesis that competition frequently leads to a situation that is prejudicial to the interests of the public but also the hypothesis that quite apart from any concerted action competition in some industries has been displaced by unity of policy or group monopoly. In fact, it is of some importance simply to know how much competition really exists today, and in what form.

This agency should seek to determine through the study of particular industry situations and experiences those industrial areas to which such hypotheses apply and the types and patterns of circumstances that contribute to the resulting conditions. It should seek to develop practical criteria for identifying circumstances in which the public interest formerly served by competition might more effectively be served by some form of control. Implicit among and perhaps the most exacting of its requirements in this connection would be that of determining what measures of control would be both feasible and effective with reference to the ends desired. The agency naturally would focus immediate attention on those industries concerning which the issue of relaxing or abandoning the antitrust laws had already become a public question. Aside from these immediate problems, it would seek to analyze and test the grievances of specific industries against the operation of the antitrust laws, while otherwise proceeding with a systematic exploration of various industrial areas.

In addition to fundamental economic research, this agency might well be given the responsibility for advancing the publicity of trade association activities and for helping to insure that the statistical activities of trade associations were so conducted as to serve the general

trade and public interest in and extend the availability of the data.⁴

In publicizing the nature and activities of trade associations and other associations of businessmen, the agency should compile, annually or biannually, a directory of national and interstate trade and other associations of businessmen. To afford a public record of the essential facts about associations, the directory should be somewhat more comprehensive than the directories which the Department of Commerce has been able to issue in the past. It might desirably contain, for each association, a statement of its industrial scope, membership requirements, income, size of staff, number of members, approximate industry coverage, affiliations, the names and business connections, if any, of the executive officers and board of directors, a description of its major activities, and an account of any antitrust actions against it during the period. Among other things this directory should be of value in discouraging the use by associations of names that are designed to mislead prospective members or the public concerning the character of the association's sponsors, affiliations, objectives, services, or scope of activities.

Supplementing the directory, more detailed analyses of various aspects of associational activity would prove valuable. For example, the agency probably would find it essential to the effective publicity of its statistical work periodically to issue a bulletin describing the statistical series compiled by trade associations, together with those compiled directly by the Government. Another compilation which would prove particularly helpful in advancing the effective publicity of trade association activities would be one that would indicate from time to time the legislative measures which associations are sponsoring or opposing. Legislation is an important device for controlling competition and for furthering group ends in other realms; and while no question in general is raised concerning the propriety of such effort, it is obviously in its interest that the public be aware of the special groups that seek legal endorsement and enforcement of their own programs.

The functions of the agency with reference to trade association statistics might include, in the first place, the establishment of standards for the dissemination of trade association statistics to interested parties in the trade other than participants in the reporting plan—whether competitors, customers, or suppliers. The present study indicates that full distribution of the statistics of a large proportion of national and regional trade associations does not extend beyond the reporting members. Depending on the nature of the data, the number and location of the trade members, and the extent of their interest in the information, adequate dissemination might consist of granting the trade members an opportunity to subscribe to the statistical releases of the association

⁴ Such an agency presumably would have a number of functions in addition to those relating to trade associations. Some additional functions were suggested by the President in his message, in April 1938 on the strengthening and enforcement of antitrust laws. In this message he recommended the—

"Creation of a Bureau of Industrial Economics which should be endowed with adequate powers to supplement and supervise the collection of industrial statistics by trade associations. Such a bureau should perform for businessmen functions similar to those performed for the farmers by the Bureau of Agricultural Economics.

"It should disseminate current statistical and other information regarding market conditions and be in a position to warn against the dangers of temporary overproduction and excessive inventories as well as against the dangers of shortages and bottleneck conditions and to encourage the maintenance of orderly markets. It should study trade fluctuations, credit facilities, and other conditions which affect the welfare of the average businessman. It should be able to help small-businessmen to keep themselves as well informed about trade conditions as their big competitors."

at a reasonable cost; publication of the data in a trade journal; publication of the data in a Government organ—an alternative, presumably, only if the data had a general trade or public value; or of making the data available for inspection in the offices of the association or in the offices of the Government. The agency could determine in the case of each association the most feasible method of dissemination consistent with adequate availability to the trade.

Another responsibility of the agency might be to work with trade associations to increase the reliability of their statistics. Because of inaccurate reporting, limited coverage, or incomplete or artificial presentation, the data of some associations not only fail to meet sound statistical standards but are definitely misleading. Regarding presentation of the data, it might, for example, establish as a general standard that no average be shown that was not accompanied by an adequate measure of dispersion; that consolidations of data covering heterogeneous groups be supplemented by classifications that revealed the characteristics of the groups; and that there be no comparisons of individual or group experience with any so-called normal experience. It would carefully scrutinize the forecasting of price, cost, and market trends, and the presentation of ratios purporting to measure the relationship between demand and supply. It would in any case seek to insure that the statistical releases adequately indicate the coverage of the data and explain the meaning of terms and items that otherwise would not be clear to the general trade.

In connection with the presentation of statistical data, the question is frequently raised whether trade associations should not be prohibited from identifying the individual reporting members on general statistical releases. It is pointed out that identification in this manner may facilitate price leadership and the exercise of pressure against the price cutter, the member enjoying an unusually large volume of business, or the member abnormally expanding production or increasing inventories. Regarding this question, there is little reason for supposing that limitation of the detail with which trade information can be disseminated would be a significant deterrent to collusive restraint of trade. In the vast majority of associations the data of the individual members are available to the association staff, so that, unless it were required that the collection and compilation of statistical data be handled by outside agencies, the typical association ordinarily in any event is in a position to police any collusive arrangement that may be in force. It is also true that identification may in effect be achieved through detailed product, customer, or geographic classification of data; any rule against the practice of identification, therefore, would necessitate the scrutiny of such classifications with this possibility in mind. It is doubtful, moreover, whether the inability of a trade association to identify filed prices would seriously interfere with the prompt spread of information concerning the price policies of the acknowledged leader or leaders of an industry. Individual members enjoy a substantial immunity from the pressure from competitors that may be made possible by identification, because of their privilege in nearly all associations of withdrawing at any time from the reporting plan without penalty. Aside from aiding in the check of price misrepresentation by buyers, the identification of reported prices has the value of facilitating price comparison in industries in which the

products or services of various members vary widely in the amount of consumer acceptance which they command. In these industries identification may be the only practical way of indicating the character of the competition that any member faces. Similar considerations may make it desirable to identify statistics on orders and deliveries and even of production where goods are made to order. Identification of cost information facilitates the interchange of experience and the location of areas of inefficiency. Buyers, moreover, have a special interest in identified data, particularly of costs, prices, and inventories. In any program to extend the availability of trade association statistics, the Government should, of course, seek to insure that identified as well as consolidated data be fully and fairly made available to buyers. And the prosecuting arm of the Government should be particularly vigilant toward those associations that disseminated data in identified form.

A third function of the agency with respect to trade association statistics might be that of supplementing trade association series with statistical collections of its own. Such collections would include data for which there were direct Government uses or in which there was a wide trade interest⁵ or public interest, presumably not those of interest only to the particular industry represented by the association. It might exercise this function in two ways: By obtaining data from important members of an industry who refused to report to the industry's trade association, the data subsequently being consolidated with the association's series; or by collecting data for products not under a trade association or data which an association was unable or unwilling to collect or to meet sound statistical standards in preparing for dissemination.

Closely related to its function with respect to trade association statistics, the agency might lend its assistance in the development of cost accounting methods or principles conducive to the compilation of comparable and significant cost data. It also might review cost accounting methods or principles to discourage the introduction of items of cost or procedures for computing or combining costs that were not in accord with sound accounting practice.

The present study has not considered the form of organization for such an agency, its proper location within the Government, the size of budget necessary, or other necessary matters of detail. It has not examined the problem of the powers which might be necessary to achieve the several objectives. It may be that experience would demonstrate that the power of subpoena would prove necessary or that some form of licensing might be the best way of bringing all trade associations within the program. Undoubtedly publicity of the particulars of cases in which the standards of statistics or cost accounting were disregarded would have considerable effect. However, such problems are subordinate to the underlying question of how to approach the basic issues of public policy. It is reasonable to assume that in the achievement of its various objectives the agency could obtain the voluntary cooperation of a majority of the associations and individual businessmen concerned.

⁵ For example, the agency probably would find it desirable to collect data on jobbers' and dealers' inventories in a number of lines of products. A number of associations of manufacturers have long deplored the lack of such data.

As to the basic issues, it appears that two paths are open. The first is to sharpen and strengthen the antitrust laws in the effort to approach more closely to the ideal of perfect competition. In such a program the functions of trade associations would be further limited and restricted. The second path is to relax the antitrust laws, opening the way for industries to endeavor to deal with specific problems by group action, under the supervision of some appropriate Government agency. Many individuals have urged the desirability of some agency whose duties would not be overwhelmingly those of prosecution and law enforcement but which could contribute toward the operation of a more flexible policy with respect to business practice and performance. In such a program trade associations would be the natural vehicles in the business structure for approaching the problems of particular industries, and their present activity would undoubtedly be further extended. Further consideration may indicate that these two programs are not necessarily antithetical except in logic. The best immediate step might be to sharpen the antitrust laws in their definitions of acts in restraint of trade while at the same time opening the way for more flexible treatment of industry's problems in those situations where the processes of free competition appear to lead to social waste and instability.

APPENDIX A

TABLES AND EXHIBITS

TABLE 1.—*Number of national and regional trade associations classified according to geographic scope and industrial division, 1938-39*¹

Geographic scope		Industrial division								
Location of members	Portion of industry covered ²	Total	Fishery	Mining, manufacturing, and construction	Wholesale trade	Retail trade	Finance and real estate	Insurance	Transportation, communication, and other public utilities	Personal, business, and recreational services
Total		1,311	7	858	147	85	23	67	69	55
	NATIONAL IN SCOPE	898	2	648	81	45	17	43	27	35
Interstate State	Entire industry	895	2	645	81	45	17	43	27	35
	do	3		3						
	REGIONAL IN SCOPE	413	5	210	66	40	6	24	42	20
Interstate State	Industry in certain region	348	3	163	56	39	4	24	41	18
	Industry within region or State only, which represents a substantial part of entire industry.	65	2	47	10	1	2		1	2

¹ Based on returns from 1,311 of an estimated total of 1,505 national and regional trade associations active in June 1938. The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code, see appendix B of this report. The data reflect the situation as of the time the schedules were returned, which in some cases was in 1938, in others in 1939.

² Interpreted to mean that part of the industry eligible for membership in the association, except in those cases in which it was clear that the association actually was undertaking to represent a smaller geographical portion of the industry than was indicated by the eligibility provisions.

TABLE 2.—*Number of national and regional trade associations classified according to type of industrial function included in membership privileges, 1938-39*¹

Industrial function	Voting membership			Nonvoting membership		
	Producers' associations	Wholesalers' associations	Retailers' associations	Producers' associations	Wholesalers' associations	Retailers' associations
Total	858	147	85	858	147	85
No additional function	806	125	76	841	130	84
Additional function	52	22	9	17	17	1
Producing only	X	14	4	X	17	
Wholesaling only	39	X	1	11	X	
Retailing only	5	3	X	3		X
Wholesaling and retailing	8	X	X	3	X	X
Producing and wholesaling	X	X	4	X	X	1
Producing and retailing	X	5	X	X		X

¹ Based on returns from 1,090 of approximately 1,205 national and regional trade associations, in the fields of producing, wholesaling, and retailing, active in June 1938. The field of producing includes mining, manufacturing, and construction. Associations including more than 1 function were classified according to the function which was most fully represented by the association, unless it was clear from other information that the association primarily concerned itself with the problems of members falling in one of the other functions. The data reflect the situation as of the time the schedules were returned, which in some cases was in 1938, in others, in 1939.

TABLE 3.—Number of national and regional trade associations classified according to number of voting members and industrial division, 1937-38¹

Number of voting members	All associations				Fishery		Mining, manu- facturing, and construction	
	Num- ber	Per- cent	Cumulative frequency		Num- ber	Per- cent	Num- ber	Per- cent
			Percent less than	Percent more than				
All associations.....	1,185	100.0	X	X	6	100.0	818	100.0
Less than 10.....	110	11.8	11.8	100.0	-----	-----	133	16.3
10 to 19.....	219	21.0	32.8	88.2	-----	-----	221	27.0
20 to 49.....	277	23.4	56.2	67.2	1	16.7	194	23.7
50 to 99.....	181	15.3	71.5	43.8	2	33.3	114	14.0
100 to 249.....	167	14.1	85.6	28.5	2	33.3	80	9.8
250 to 499.....	85	7.2	92.8	14.4	1	16.7	46	5.6
500 to 999.....	38	3.2	96.0	4.0	-----	-----	14	1.7
1,000 to 1,999.....	18	1.5	97.5	7.2	-----	-----	9	1.1
2,000 to 4,999.....	17	1.4	98.9	2.5	-----	-----	6	.7
5,000 to 9,999.....	7	.6	99.5	1.1	-----	-----	1	.1
10,000 and over.....	6	.5	100.0	.5	-----	-----	-----	-----

Number of voting members	Wholesale trade		Retail trade		Finance and real estate		Insurance		Transportation, communication, and other public utilities		Personal, business, and recreational services	
	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent
All associations.....	128	100.0	73	100.0	19	100.0	49	100.0	44	100.0	48	100.0
Less than 10.....	2	1.6	1	1.4	-----	-----	1	2.0	2	4.6	1	2.1
10 to 19.....	11	8.6	5	6.8	3	15.8	5	10.2	3	6.8	1	2.1
20 to 49.....	42	32.8	5	6.8	2	10.5	16	32.7	13	29.5	4	8.3
50 to 99.....	23	17.9	11	15.1	1	5.3	8	16.4	11	25.0	11	22.9
100 to 249.....	31	24.2	16	21.9	5	26.2	17	34.7	6	13.6	10	20.9
250 to 499.....	11	8.6	9	12.4	2	10.5	-----	-----	6	13.6	10	20.9
500 to 999.....	5	3.9	12	16.4	3	15.8	1	2.0	2	4.6	1	2.1
1,000 to 1,999.....	2	1.6	3	4.1	1	5.3	-----	-----	-----	-----	3	6.2
2,000 to 4,999.....	1	.8	4	5.5	1	5.3	1	2.0	-----	-----	4	8.3
5,000 to 9,999.....	-----	-----	3	4.1	-----	-----	-----	-----	-----	-----	3	6.2
10,000 and over.....	-----	-----	4	5.5	1	5.3	-----	-----	1	2.3	-----	-----

¹ Based on exhibit IIA.TABLE 4.—Number of national and regional trade associations classified according to industrial division and percent of industry coverage by number of firms, 1937-38¹

Industrial division	All associa- tions		Percent of coverage by number of firms							
			25 percent and under		26 to 50 percent		51 to 75 percent		Over 75 percent	
	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent
All associations.....	917	100.0	188	20.5	264	28.8	275	30.0	190	20.7
Fishery.....	6	100.0	2	33.3	1	16.7	2	33.3	1	16.7
Mining, manufacturing, and construction.....	674	100.0	119	17.7	192	28.5	213	31.6	150	22.2
Wholesale trade.....	88	100.0	15	17.1	20	22.7	34	38.6	19	21.6
Retail trade.....	63	100.0	24	38.1	23	36.5	14	22.2	2	3.2
Finance and real estate.....	13	100.0	4	30.7	1	7.7	3	23.1	5	38.5
Insurance.....	17	100.0	6	35.2	7	41.2	2	11.8	2	11.8
Transportation, communication, and other public utilities.....	23	100.0	3	13.0	8	34.8	6	26.1	6	26.1
Personal, business, and recreational services.....	33	100.0	15	45.5	12	36.4	1	3.0	5	15.1

¹ Based on exhibit III.

TABLE 5.—*Number of national and regional trade associations classified according to industrial division and percent of industry coverage by volume of business, 1937-38*¹

Industrial division	All associations		Percent of coverage by volume of business							
			25 percent and under		26 to 50 percent		51 to 75 percent		Over 75 percent	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
All associations.....	895	100.0	34	3.8	111	12.4	315	35.2	435	48.6
Fishery.....	6	100.0	-----	-----	2	33.3	1	16.7	3	50.0
Mining, manufacturing, and construction.....	671	100.0	16	2.3	75	11.2	228	34.0	352	52.5
Wholesale trade.....	86	100.0	4	4.7	12	13.9	32	37.2	38	44.2
Retail trade.....	55	100.0	9	16.4	11	20.0	23	41.8	12	21.8
Finance and real estate.....	10	100.0	1	10.0	-----	-----	2	20.0	7	70.0
Insurance.....	16	100.0	-----	-----	4	25.0	6	37.5	6	37.5
Transportation, communication, and other public utilities.....	24	100.0	1	4.2	1	4.2	9	37.5	13	54.1
Personal, business, and recreational services.....	27	100.0	3	11.1	6	22.2	14	51.9	4	14.8

¹ Based on exhibit IV.TABLE 6.—*Number of national and regional trade associations classified by percent of coverage by number of firms and volume of business, 1937-38*¹

Percent of coverage by volume of business ²	All associations	Percent of coverage by number of firms			
		25 percent and under	26 to 50 percent	51 to 75 percent	Over 75 percent
All associations.....	851	167	242	265	177
25 percent and under.....	33	30	1	2	-----
26 to 50 percent.....	188	43	54	9	2
51 to 75 percent.....	297	66	114	100	17
Over 75 percent.....	413	28	73	154	158

¹ Based on returns from 851 of approximately 1,505 national and regional trade associations active in June 1938. The data reflect the situation in the case of some associations during 1938, in others in 1937.² In most cases volume was measured in terms of production, sales, or shipments.TABLE 7.—*Number of national and regional trade associations classified according to number of members and percent of industry coverage by number of firms, 1937-38*¹

Number of members ²	All associations	Percent	Percent of industry coverage by number of firms							
			Over 75 percent		51 to 75 percent		26 to 50 percent		25 percent or less	
			Number	Percent	Number	Percent	Number	Percent	Number	Percent
All associations.....	895	100.0	188	21.0	272	30.4	253	28.3	182	20.3
Less than 10.....	116	100.0	29	25.0	44	38.0	32	27.5	11	9.5
10 to 19.....	200	100.0	57	28.5	67	33.5	56	28.0	20	10.0
20 to 49.....	200	100.0	42	21.0	69	34.5	50	25.0	39	19.5
50 to 99.....	125	100.0	27	21.6	41	32.8	28	22.4	29	23.2
100 to 249.....	119	100.0	16	13.4	24	20.2	40	33.6	39	32.8
250 to 499.....	70	100.0	11	15.7	17	24.3	25	35.7	17	24.3
500 to 999.....	30	100.0	4	13.3	6	20.0	9	30.0	11	36.7
1,000 to 1,999.....	13	100.0	1	7.7	2	15.4	5	38.5	5	38.4
2,000 to 4,999.....	10	100.0	-----	-----	1	10.0	4	40.0	5	50.0
5,000 to 9,999.....	6	100.0	-----	-----	1	16.7	2	33.3	3	50.0
10,000 and over.....	6	100.0	1	16.7	-----	-----	2	33.3	3	50.0

¹ Based on returns from 895 of approximately 1,505 national and regional trade associations active in June 1938. The data reflect the situation in the case of some associations in 1938, in others in 1937.² Includes voting members only and only those associations that limit voting membership to business enterprises.

TABLE 8.—*Industry groups ranked according to extent of organization as measured by percent of industry volume of business represented by national and regional trade associations, 1937-38*¹

Industry group ²	Total number of associations	Percent of total number represented by association covering specified percent of industry volume	
		Over 75 percent of industry volume	Over 50 percent of industry volume
Mining, manufacturing, and construction.....	668	53	86
Transportation equipment (except automobiles).....	8	75	100
Chemicals and allied products.....	36	69	97
Machinery (except electrical).....	60	67	90
Iron and steel and their products.....	89	66	89
Paper and allied products.....	58	59	95
Nonferrous metals and their products.....	24	58	96
Automobiles and automobile equipment.....	7	57	86
Mining (other than coal) and quarrying.....	7	57	86
Electrical apparatus and supplies.....	11	55	100
Rubber and leather products.....	11	55	83
Textile mill products.....	37	54	92
Apparel and other finished products made from fabrics and similar materials.....	35	54	77
Stone, clay, glass, and kindred products.....	45	51	82
Furniture and finished lumber products.....	35	49	83
Miscellaneous manufacturing industries.....	39	49	79
Food and kindred products.....	83	40	87
Printing, publishing, and allied industries.....	32	34	78
Lumber and timber basic products.....	29	28	66
Petroleum production and refining and natural gas production.....	9	22	67
Construction—general and special trade construction.....	13	15	85
Other:			
Finance and real estate.....	10	70	90
Transportation, communication, and other public utilities.....	24	54	92
Fishery.....	6	50	67
Wholesale trade.....	86	44	81
Insurance.....	16	38	75
Retail trade.....	55	22	64
Personal, business, and recreational services.....	27	15	67
Total.....	892	49	84

¹ Based on exhibit IV.² The coal mining group was omitted from this table because of the relatively small number of associations in the field that reported coverage data.TABLE 9.—*Number of national and regional trade associations classified according to annual income and industrial division, 1937-38*¹

Annual income	All associations				Fishery		Mining, manufacturing, and construction	
	Number	Percent	Cumulative frequency		Number	Percent	Number	Percent
			Percent less than	Percent more than				
All associations.....	1, 166	100. 0	X	X	7	100. 0	795	100. 0
No income.....	32	2. 7	2. 7	100. 0	-----	-----	24	3. 0
Less than \$1,000.....	90	7. 7	10. 4	97. 3	1	14. 3	51	6. 4
\$1,000 to \$2,499.....	108	9. 3	19. 7	89. 6	1	14. 3	71	8. 9
\$2,500 to \$4,999.....	114	9. 8	29. 5	80. 3	2	28. 5	75	9. 4
\$5,000 to \$9,999.....	168	14. 4	43. 9	70. 5	1	14. 3	114	14. 4
\$10,000 to \$19,999.....	208	17. 9	61. 8	56. 1	1	14. 3	151	19. 0
\$20,000 to \$49,999.....	222	19. 0	80. 8	38. 2	1	14. 3	160	20. 1
\$50,000 to \$99,999.....	107	9. 2	90. 0	19. 2	-----	-----	76	9. 6
\$100,000 to \$249,999.....	81	6. 9	96. 9	10. 0	-----	-----	51	6. 4
\$250,000 to \$499,999.....	22	1. 9	98. 8	3. 1	-----	-----	16	2. 0
\$500,000 and over.....	14	1. 2	100. 0	1. 2	-----	-----	6	. 8

¹ Based on exhibit VI.

TABLE 9.—*Number of national and regional trade associations classified according to annual income and industrial division, 1937-38—Continued*

Annual income	Wholesale trade		Retail trade		Finance and real estate		Insurance		Transportation, communication, and other public utilities		Personal, business, and recreational service	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
All associations.....	135	100.0	78	100.0	22	100.0	39	100.0	43	100.0	47	100.0
No income.....	3	2.2	3	3.8	1	4.6	1	2.6	—	—	—	—
Less than \$1,000.....	16	11.9	4	5.1	3	13.6	3	7.7	6	14.0	6	12.8
\$1,000 to \$2,499.....	12	8.9	12	15.4	2	9.1	2	5.1	1	2.3	7	14.9
\$2,500 to \$4,999.....	14	10.4	5	6.4	1	4.6	4	10.2	6	14.0	7	14.9
\$5,000 to \$9,999.....	27	20.0	13	16.7	1	4.6	3	7.7	5	11.6	4	8.6
\$10,000 to \$19,999.....	24	17.8	14	17.9	1	4.6	4	10.2	5	11.6	8	17.0
\$20,000 to \$49,999.....	28	20.7	13	16.7	5	22.6	3	7.7	7	16.3	5	10.6
\$50,000 to \$99,999.....	10	7.4	8	10.3	3	13.6	3	7.7	4	9.3	3	6.4
\$100,000 to \$249,999.....	—	—	4	5.1	4	18.1	12	30.8	5	11.6	5	10.6
\$250,000 to \$499,999.....	—	—	2	2.6	—	—	1	2.6	1	2.3	1	2.1
\$500,000 and over.....	—	—	—	—	1	4.6	3	7.7	3	7.0	1	2.1

TABLE 10.—*Industry groups in the producing field ranked according to the proportion of their trade associations whose annual income is \$20,000 or more, 1937-38¹*

Mining, manufacturing, and construction industry group	Total number of associations	Associations reporting income of \$20,000 or more	
		Number	Percent
Automobiles and automobile equipment.....	7	5	71.4
Petroleum production and refining and natural gas production.....	11	7	63.6
Paper and allied products.....	61	37	60.7
Lumber and timber basic products.....	33	19	57.6
Mining (other than coal) and quarrying.....	11	6	54.5
Coal mining.....	6	3	50.0
Stone, clay, glass, and kindred products.....	53	25	47.2
Construction—general and special trade contractors.....	15	7	46.7
Textile mill products.....	45	20	44.4
Transportation equipment (except automobiles).....	14	6	42.9
Rubber and leather products.....	14	6	42.9
Electrical apparatus and supplies.....	12	5	41.7
Chemicals and allied products.....	47	19	40.4
Printing, publishing, and allied industries.....	41	16	39.0
Apparel and other finished products made from fabrics and similar materials.....	50	19	38.0
Food and kindred products.....	92	33	35.9
Nonferrous metals and their products.....	29	10	34.5
Iron and steel and their products.....	98	33	33.7
Furniture and finished lumber products.....	36	9	25.0
Miscellaneous manufacturing industries.....	49	10	20.4
Machinery (except electrical).....	71	14	19.7
Total.....	795	309	38.9

¹ Based on exhibit VI.

TABLE 11.—*Number of national and regional trade associations classified according to annual income and number of members, 1937-38*¹

Annual income	All associations		Number of members ²									
			Less than 10		10 to 19		20 to 49		50 to 99		100 to 249	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
All associations.....	1,104	100.0	128	100.0	231	100.0	250	100.0	173	100.0	156	100.0
No income.....	30	2.7	9	7.0	13	5.6	3	1.2	2	1.2	-----	-----
Under \$1,000.....	82	7.4	13	10.2	21	9.1	29	11.6	12	6.9	3	1.9
\$1,000 to \$2,499.....	102	9.2	16	12.5	21	9.1	31	12.4	17	9.8	17	10.9
\$2,500 to \$4,999.....	106	9.6	18	14.0	18	7.8	35	14.0	18	10.4	11	7.1
\$5,000 to \$9,999.....	165	14.9	25	19.5	38	16.5	33	13.2	36	20.8	19	12.2
\$10,000 to \$19,999.....	196	17.8	23	18.0	52	22.5	43	17.2	34	19.7	23	14.8
\$20,000 to \$49,999.....	212	19.2	17	13.3	50	21.6	45	18.0	27	15.6	32	20.5
\$50,000 to \$99,999.....	100	9.1	2	1.6	10	4.3	15	6.0	16	9.2	22	14.1
\$100,000 to \$249,999.....	76	6.9	4	3.1	8	3.5	12	4.8	5	2.9	18	11.5
\$250,000 to \$499,999.....	22	2.0	1	.8	-----	-----	1	.4	4	2.3	6	3.8
\$500,000 and over.....	13	1.2	-----	-----	-----	-----	3	1.2	2	1.2	5	3.2

Annual income	Number of members—Continued											
	250 to 499		500 to 999		1,000 to 1,999		2,000 to 4,999		5,000 to 9,999		10,000 and over	
	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent
All associations.....	81	100.0	38	100.0	17	100.0	17	100.0	7	100.0	6	100.0
No income.....	1	1.2					2	11.8				
Under \$1,000.....	2	2.5	1	2.6			1	5.9				
\$1,000 to \$2,499.....												
\$2,500 to \$4,999.....	6	7.4										
\$5,000 to \$9,999.....	9	11.1	2	5.3			2	11.8	1	14.3		
\$10,000 to \$19,999.....	10	12.3	5	13.2	2	11.8	2	11.8	1	14.3	1	16.7
\$20,000 to \$49,999.....	22	27.2	9	23.7	6	35.2	3	17.6	1	14.3		
\$50,000 to \$99,999.....	16	19.8	10	26.3	5	29.4	2	11.8	2	28.6		
\$100,000 to \$249,999.....	11	13.6	8	21.0	2	11.8	4	23.4	2	28.5	2	33.3
\$250,000 to \$499,999.....	3	3.7	2	5.3	2	11.8	1	5.9			2	33.3
\$500,000 and over.....	1	1.2	1	2.6							1	16.7

¹ Based on returns from 1,104 of approximately 1,505 national and regional trade associations active in June 1938. Income and number of members are for fiscal years ending in some cases in 1938, in others in 1937.

² Includes voting members only and only those associations that limit voting membership to business enterprises.

TABLE 12.—Number of national and regional trade associations classified according to size of full-time paid staff and industrial division, 1937-38¹

Number of paid members of staff	All associations		Fishery		Mining, manufacturing, and construction		Wholesale trade		Retail trade		Finance and real estate		Insurance		Transportation, communication, and other public utilities		Personal, business, and recreational services	
	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent
	1, 204	100.0	7	100.0	807	100.0	140	100.0	82	100.0	23	100.0	47	100.0	45	100.0	53	100.0
All associations																		
No paid staff	133	11.0	1	14.3	78	9.7	22	15.7	11	13.4	5	21.7	4	8.5	3	6.7	9	16.9
2 or less	578	48.0	5	71.4	410	50.8	71	50.7	35	42.6	4	17.4	11	23.4	18	40.0	24	45.3
3 to 5	228	18.9	1	14.3	145	18.0	33	23.6	21	25.6	7	30.4	4	8.5	11	24.5	6	11.3
6 to 10	113	9.4			81	10.1	10	7.2	9	11.0	3	13.0	5	10.6	2	4.4	3	5.7
11 to 25	86	7.2			60	7.4	3	2.1	3	3.7	1	4.4	8	17.0	3	6.7	8	15.1
26 to 50	35	2.9			19	2.4	1	.7	3	3.7	2	8.7	7	14.9	2	4.4	1	1.9
51 to 75	11	.9			6	.7							2	4.3	3	6.7		
76 to 100	7	.6			6	.7					1	4.4						
101 to 200	7	.6											3	6.4	2	4.4	2	3.8
Over 200	6	.5			2	.2							3	6.4	1	2.2		

¹ Based on exhibit V.

TABLE 13.—*Number of national and regional trade associations classified according to annual income and size of full-time paid staff, 1937-38*¹

Annual income	All associations	Number of paid members of staff									
		No paid staff	2 or less	3 to 5	6 to 10	11 to 25	26 to 50	51 to 75	76 to 100	101 to 200	Over 200
All associations.....	1, 121	120	537	219	107	79	35	9	7	3	5
No income.....	31	27	4								
Under \$1,000.....	85	58	27								
\$1,000 to \$2,499.....	106	24	81	1							
\$2,500 to \$4,999.....	111	8	100	3							
\$5,000 to \$9,999.....	164	2	151	11							
\$10,000 to \$19,999.....	196	1	125	66	4						
\$20,000 to \$49,999.....	214		47	116	44	7					
\$50,000 to \$99,999.....	99		1	18	48	30	2				
\$100,000 to \$249,999.....	79		1	4	10	36	25	2	1		
\$250,000 to \$499,999.....	22				1	6	8	5	2		
\$500,000 and over.....	14							2	4	3	5

¹ Based on returns from 1,121 of approximately 1,505 national and regional trade associations active in June 1938. Data apply in some cases to fiscal years ending in 1938, in others to fiscal years ending in 1937.

TABLE 14.—*Number of national and regional trade associations classified according to industrial division and corporate status, 1938-39*¹

Industrial division	Total number of associations	Percent incorporated	Percent not incorporated
All associations.....	1, 112	53.8	46.2
Fishery.....	6	83.3	16.7
Mining, manufacturing, and construction.....	780	48.1	51.9
Wholesale trade.....	130	66.9	33.1
Retail trade.....	76	77.6	22.4
Finance and real estate.....	15	33.3	66.7
Insurance.....	22	40.9	59.1
Transportation, communication, and other public utilities.....	38	55.3	44.7
Personal, business, and recreational services.....	45	82.2	17.8

¹ Based on returns from 1,112 of approximately 1,505 national and regional trade associations active in June 1938. Data represent the situation as of the time the returns were filed, which in some cases was in 1938, in others 1939.

TABLE 15.—*Number of national and regional trade associations classified according to corporate status and number of members, 1937-38*¹

Number of members ²	Total number of associations	Percent incorporated	Percent not incorporated
All associations.....	1, 059	53.3	46.7
Less than 10.....	128	28.9	71.1
10 to 19.....	223	29.1	70.9
20 to 49.....	253	55.4	44.6
50 to 99.....	163	66.3	33.7
100 to 249.....	159	66.7	33.3
250 to 499.....	78	75.6	24.4
500 to 999.....	38	73.7	26.3
1,000 to 1,999.....	17	82.4	17.6
2,000 to 4,999.....	16	81.2	18.8
5,000 to 9,999.....	7	85.7	14.3
10,000 and over.....	6	83.3	16.7

¹ Based on returns from 1,059 of approximately 1,505 national and regional trade associations active in June 1938.

² Number of voting members—reported as of the close of fiscal years ending in some cases in 1938, in others in 1937.

TABLE 16.—*Number of national and regional trade associations classified according to corporate status, annual income, and whether administered by management organizations, 1937-38*¹

Annual income ²	All associations			Associations administered by management organizations ³			Associations not administered by management organizations ³		
	Number	Percent incorporated	Percent not incorporated	Number	Percent incorporated	Percent not incorporated	Number	Percent incorporated	Percent not incorporated
All associations.....	1,008	51.5	48.5	292	29.1	70.9	716	60.6	39.4
No income.....	18	11.1	88.9	2	-----	100.0	16	12.5	87.5
Under \$1,000.....	53	43.4	56.6	11	27.3	72.7	42	47.6	52.4
\$1,000 to \$2,499.....	84	46.4	53.6	34	32.4	67.6	50	56.0	44.0
\$2,500 to \$4,999.....	97	46.4	53.6	45	24.4	75.6	52	65.4	34.6
\$5,000 to \$9,999.....	156	49.4	50.6	59	35.6	64.4	97	57.7	42.3
\$10,000 to \$19,999.....	185	51.9	48.1	64	26.6	73.4	121	65.3	34.7
\$20,000 to \$49,999.....	210	48.1	51.9	58	25.9	74.1	152	56.6	43.4
\$50,000 to \$99,999.....	98	64.3	35.7	9	-----	100.0	89	70.8	29.2
\$100,000 to \$249,999.....	75	66.7	33.3	9	66.7	33.3	66	66.7	33.3
\$250,000 to \$499,999.....	20	90.0	10.0	1	-----	100.0	19	89.5	10.5
\$500,000 and over.....	12	41.7	58.3	-----	-----	-----	12	41.7	58.3

¹ Based on returns from 1,008 of approximately 1,505 national and regional trade associations active in June 1938.

² Reported for fiscal years ending in some cases in 1938, in others in 1937.

³ Defined to mean persons or firms operating or managing more than 1 trade association.

TABLE 17.—*Number of national and regional trade associations classified according to annual income and percent of income received from the 4 largest contributors, 1937-38*¹

Annual income	All associations		Percent of income received from the 4 largest contributors									
			Less than 20		20 to 39		40 to 59		60 to 79		80 to 100	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
All associations.....	891	100.0	309	34.7	157	17.6	154	17.3	167	18.7	104	11.7
Less than \$1,000.....	51	100.0	16	31.4	11	21.6	7	13.7	9	17.6	8	15.7
\$1,000 to \$2,499.....	77	100.0	27	35.0	16	20.8	13	16.9	6	7.8	15	19.5
\$2,500 to \$4,999.....	90	100.0	35	38.9	14	15.6	13	14.4	16	17.8	12	13.3
\$5,000 to \$9,999.....	139	100.0	44	31.6	22	15.8	20	14.4	34	24.5	19	13.7
\$10,000 to \$19,999.....	171	100.0	54	31.6	26	15.2	32	18.7	41	24.0	18	10.5
\$20,000 to \$49,999.....	191	100.0	58	30.4	30	15.7	43	22.5	39	20.4	21	11.0
\$50,000 to \$99,999.....	81	100.0	43	53.1	13	16.0	14	17.3	6	7.4	5	6.2
\$100,000 to \$249,999.....	63	100.0	24	38.1	14	22.2	6	9.5	13	20.7	6	9.5
\$250,000 to \$499,999.....	18	100.0	6	33.3	4	22.3	6	33.3	2	11.1	-----	-----
\$500,000 and over.....	10	100.0	2	20.0	7	70.0	-----	-----	1	10.0	-----	-----

¹ Based on returns from 891 of approximately 1,505 national and regional trade associations active in June 1938. Data are for fiscal years ending in some cases in 1938, in others in 1937.

TABLE 18.—*Number of national and regional trade associations classified according to number of contributing members and percent of income received from the 4 largest contributors, 1937-38*¹

Number of contributing members	Percent which 4 represents of number of contributing members	All associations	Percent of income received from 4 largest contributors				
			Less than 20	20 to 39	40 to 59	60 to 79	80 to 100
All associations.....	-----	903	316	159	153	169	106
4 to 5.....	80 to 100.....	31	-----	-----	-----	-----	31
6.....	67.....	13	-----	-----	-----	7	6
7 to 10.....	40 to 57.....	106	-----	-----	14	51	41
11 to 20.....	20 to 36.....	169	-----	29	49	70	21
Over 20.....	Less than 20.....	584	316	130	90	41	7
21 to 50.....	do.....	183	42	49	57	30	5
51 to 100.....	do.....	119	59	37	16	6	1
101 to 250.....	do.....	123	87	23	10	2	1
251 to 500.....	do.....	73	59	12	1	1	-----
501 to 1,000.....	do.....	38	29	4	4	1	-----
1,001 to 2,000.....	do.....	19	15	2	2	-----	-----
2,001 to 5,000.....	do.....	18	14	3	-----	1	-----
5,001 to 10,000.....	do.....	5	5	-----	-----	-----	-----
Over 10,000.....	do.....	6	6	-----	-----	-----	-----

¹ Based on returns from 903 of approximately 1,505 national and regional trade associations active in June 1938. Figures are for fiscal years ending in some cases in 1938, in others in 1937. Contributing members include nonvoting as well as voting members.

TABLE 19.—Number of national and regional trade associations active in June 1938, classified according to year of organization and industrial division¹

Year of organization ²	All associations		Fishery		Mining, manufacturing, and construction		Wholesale trade		Retail trade		Finance and real estate		Insurance		Transportation, communication, and other public utilities		Personal business, and recreational services	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
All associations...	1,167	100.0	7	100.0	779	100.0	132	100.0	75	100.0	22	100.0	60	100.0	43	100.0	49	100.0
Prior to 1860	2	0.2			2	0.3	1	0.8					1	1.7				
1860 to 1869	8	0.7			5	0.6	2	1.5					2	3.3	1	2.3		
1870 to 1879	15	1.3			9	1.2	2	1.5			1	4.6	2	3.3	3	7.0	2	4.1
1880 to 1889	34	2.9			19	2.4	2	1.5	6	8.0			3	5.0	4	9.2	4	8.2
1890 to 1899	36	3.1			7	0.9	11	8.3	4	5.3	3	13.6	3	5.0	3	7.0	3	6.1
1900 to 1904	41	3.5			25	3.2	6	4.6	2	2.7			3	5.0	4	9.2	4	8.2
1905 to 1909	65	5.6			39	5.0	10	7.6	9	12.0			3	5.0	1	2.3	3	6.1
1910 to 1914	77	6.6			39	5.0	13	9.8	8	10.7			4	6.7	6	14.0	3	6.1
1915 to 1919	91	7.8	1	14.3	60	7.7	11	8.3	8	10.7	3	13.6	6	10.1			4	8.2
1920 to 1924	143	12.3			97	12.5	16	12.1	7	9.3	2	9.1	11	18.3	3	7.0	4	8.2
1925 to 1929	98	8.4	2	28.5	53	6.8	13	9.8	5	6.6	3	13.6	10	16.6	3	7.0	9	18.3
1930 to 1934	151	12.9	1	14.3	102	13.1	20	15.2	8	10.7	4	18.3	7	11.7	2	4.7	8	16.3
1935 to 1939	89	7.6	1	14.3	67	8.6	6	4.6	2	2.7			4	6.7	5	11.6	4	8.2
1940 to 1944	264	22.6	1	14.3	213	27.3	21	15.9	12	16.0	3	13.6	3	5.0	5	11.6	6	12.2
1945 to 1949	53	4.5			42	5.4			4	5.3			1	1.7	6	14.0		

¹ Based on returns from 1,167 of approximately 1,505 national and regional trade associations active in June 1938.² "Year of organization" is the year in which the reporting association was formed, except where the association superseded or absorbed an association organized at an earlier date; in such cases the earlier date was used.

TABLE 20.—*Industry groups in the producing field ranked according to the proportion of their trade associations that were organized since 1920*¹

Mining, manufacturing, and construction industry group	Total number of associations	Associations organized since 1920	
		Number	Percent
All associations.....	779	477	61.2
Electrical apparatus and supplies.....	10	9	90.0
Paper and allied products.....	57	48	84.2
Iron and steel and their products.....	86	66	76.7
Nonferrous metals and their products.....	29	22	75.9
Apparel and other finished products made from fabrics and similar materials.....	49	36	73.5
Furniture and finished lumber products.....	33	24	72.7
Chemicals and allied products.....	49	33	67.3
Machinery (except electrical).....	66	44	66.7
Textile mill products.....	47	31	66.0
Petroleum production, and refining and natural gas production.....	10	6	60.0
Automobiles and automobile equipment.....	7	4	57.1
Stone, clay, glass, and kindred products.....	55	30	54.5
Miscellaneous manufacturing industries.....	52	28	53.8
Mining (other than coal) and quarrying.....	10	5	50.0
Lumber and timber basic products.....	35	17	48.6
Printing, publishing, and allied industries.....	42	18	42.9
Transportation equipment (except automobiles).....	17	7	41.2
Coal mining.....	5	2	40.0
Construction—general and special trade contractors.....	15	6	40.0
Food and kindred products.....	93	37	39.8
Rubber and leather products.....	12	4	33.3

¹ Based on returns from 779 of approximately 934 national and regional trade associations in the producing field active in June 1938. Year of organization is the year in which the reporting association was formed, except where the association superseded or absorbed an association organized at an earlier date; in such cases the earlier date was used.

TABLE 21.—*Number of national and regional trade associations and percent organized prior to 1920 classified according to annual income*¹

Annual income	Total number of associations	Percent of total associations represented by those organized prior to 1920	Annual income	Total number of associations	Percent of total associations represented by those organized prior to 1920
Total.....	1,065	45	\$10,000 to \$19,999.....	190	37
No income.....	30	17	\$20,000 to \$49,999.....	191	52
Under \$1,000.....	84	35	\$50,000 to \$99,999.....	93	59
\$1,000 to \$2,499.....	102	39	\$100,000 to \$249,999.....	76	68
\$2,500 to \$4,999.....	108	30	\$250,000 to \$499,999.....	21	67
\$5,000 to \$9,999.....	159	43	\$500,000 and over.....	11	82

¹ Based on exhibit VII.

TABLE 22.—*Number of disbanded and inactive national and regional trade associations classified by industry group*¹

Industry group	Number of associations	Industry group	Number of associations
Total.....	278	Mining, manufacturing, and construction—Continued.	
Mining, manufacturing, and construction.....	236	Nonferrous metals and their products.....	13
Mining (other than coal) and quarrying.....	2	Machinery (except electrical).....	38
Food and kindred products.....	9	Automobiles and automobile equipment.....	1
Textile mill products.....	12	Miscellaneous manufacturing industries.....	24
Apparel and other finished products made from fabrics and similar materials.....	15	Construction—general and special trade contractors.....	3
Lumber and timber basic products.....	4	Other.....	42
Furniture and finished lumber products.....	15	Fishery.....	2
Paper and allied products.....	6	Wholesale trade.....	18
Printing, publishing, and allied industries.....	12	Retail trade.....	9
Chemicals and allied products.....	16	Finance and real estate.....	1
Rubber and leather products.....	6	Transportation, communication, and other public utilities.....	6
Stone, clay, glass, and kindred products.....	19	Personal, business, and recreational services.....	6
Iron and steel and their products.....	31		
Transportation equipment (except automobiles).....	10		

¹ Based on returns from 278 of approximately 750 national and regional trade associations that have been disbanded or become inactive since 1932.

TABLE 23.—*Number of disbanded and inactive national and regional trade associations classified by number of members*¹

Number of members ²	Number of associations	Percent of total	Number of members ²	Number of associations	Percent of total
Total.....	255	100.0	50 to 99.....	21	8.2
Less than 10.....	82	32.2	100 to 249.....	17	6.7
10 to 19.....	75	29.4	250 to 499.....	7	2.7
20 to 49.....	47	18.4	500 to 999.....	4	1.6
			1,000 and over.....	2	.8

¹ Based on returns from 255 of approximately 750 national and regional trade associations that disbanded or became inactive after 1932.

² Based on replies to the question of what was the number of voting members during the year the association was most active.

TABLE 24.—Reasons given by trade associations for disbandment or inactivity¹

Reasons	Number of associations	Reasons	Number of associations
Formed for N. R. A. purposes, no reason given for inactivity since N. R. A.	69	Association lacked important functions, because—Continued.	
N. R. A. experience discouraged further cooperation	8	Of strengthening of union control.....	1
Nature of industry:		N. R. A. code voluntarily adhered to.	1
Large number of members	2	Of cooperation resulting from	
Large difference in size of members ..	2	N. R. A. experience	1
Wide geographical distribution of members ..	9	Of Government control (i. e., I. C. C. rate control)	1
Diversity of products covered by association ..	14	Of integration of process covered with other processes	1
Products covered—a side line, or by-product, of the members ..	11	Of depletion of resources formerly exploited	1
Highly specialized, made-to-order business ..	1	Of voluntary adherence to a code of ethics	1
Small normal volume of industry business ..	6	Members meet socially to discuss industry conditions	1
Small size of members	4	Conflicts between members of the industry (association objectives not specified) arising from—	
Nature of market:		Lack of confidence or cooperation	28
Depressed, because of—		Union-nonunion differences	10
General business conditions	23	Geographic wage differentials	4
Competition of substitute products ..	11	Differences in distribution methods ..	3
Foreign competition	3	Quality deterioration by certain members	1
Stabilized	2	Enticement of one another's employees ..	1
Rapidly expanding and highly dynamic ..	1	Patent litigation	2
Association lacked important functions, because—		Inability to accomplish specified objectives:	
Of the small number of industry members ..	11	Price stabilization	24
Of mergers of important members ..	3	Fair practices, etc.	7
Of the elimination of some members ..	8	Control of wage rates and working hours ..	2
Problems primarily local in scope ..	7	Legislation	1
Specific purposes of association (other than N. R. A.) accomplished, or no problems existed:		Cooperative purchasing	1
Legislative	2	Elimination of design "piracy"	1
Elimination of destructive competition or unfair practices ..	3	Standardization	1
Elimination of foreign competition through tariff restrictions ..	2	Prosecution, or fear of prosecution, by Government antitrust agencies ..	11
Trade promotion	3	Another association of broader product or geographic scope in the field	27
Standardization	1		

¹ Based on returns from 273 of approximately 750 national and regional trade associations that have become inactive or have disbanded since 1932. The total number of items exceeds the figure 278, because some associations reported more than 1 reason.

TABLE 25.—Number and percent of total number of national and regional trade associations reporting that they engaged in the specified activities, 1938-39¹

Activity	Total number of associations	Percent of total number	Associations indicating major degree of activity		Associations indicating minor degree of activity	
			Number	Percent of total number	Number	Percent of total number
Total number of associations.....	1,244	X	X	X	X	X
Government relations:						
"Information or assistance given to Government bodies".....	621	49.9	371	29.8	250	20.1
"Acting as industry representatives in contacting"—						
"Legislative bodies".....	556	45.7	289	23.2	267	21.5
"Tariffs and trade-agreements agencies".....	396	31.9	190	15.3	206	16.5
"Taxation agencies".....	302	24.3	122	9.8	180	14.5
"Scientific or technical agencies".....	391	31.4	145	11.7	246	19.7
"Other executive or administrative agencies".....	562	45.2	262	21.1	300	24.1
"Reporting governmental activities".....	783	62.9	401	32.2	382	30.7
"Drafting and promoting model laws".....	236	19.0	89	7.2	147	11.8
Employer-employee relations:						
"Surveys, advice, and assistance relative to labor relations:"						
"Wages, hours, working conditions".....	642	51.6	281	22.6	361	29.0
"Collective bargaining".....	197	15.8	113	9.1	84	6.7
"Welfare, including safety".....	271	21.8	85	6.8	186	15.0
"Employee training".....	199	16.0	84	6.8	115	9.2
"Placement service".....	169	13.6	23	1.9	146	11.7
"Public relations".....	638	51.3	321	25.8	317	25.5
Trade promotion:						
"Cooperative advertising".....	347	27.9	174	14.0	173	13.9
"Technical" and/or "commercial publications".....	467	37.5	293	23.6	174	13.9
"Exhibitions".....	416	33.4	190	15.3	226	18.1
"New uses for industry products".....	307	24.7	137	11.0	170	13.7
"New markets for industry products".....	390	31.4	150	12.1	240	19.3
"Foreign trade promotion".....	120	9.6	36	2.9	84	6.7
"Market research".....	426	34.2	165	13.3	261	20.9
"Technical merchandising advice".....	266	21.4	113	9.1	153	12.3
Standardization and simplification:						
"Standardization and simplification".....	611	49.1	343	27.6	268	21.5
"Establishment of quality standards".....	571	45.9	356	28.6	215	17.3
Technical research and advisory services:						
"Operations of research laboratory".....	180	14.5	87	7.0	93	7.5
"Other forms of technical research".....	362	29.1	193	15.5	169	13.6
"Technical advisory services".....	379	30.5	194	15.6	185	14.9
Trade statistics.....	548	44.1	428	34.4	120	9.7
Price and bid information.....	187	15.0	100	8.0	87	7.0
Accounting, cost statistics and studies:						
"Establishment of uniform accounting".....	348	28.0	158	12.7	190	15.3
"Industry cost studies".....	470	37.8	212	17.1	258	20.7
Statistical republishments and special studies.....	678	54.5	332	26.7	346	27.8
Traffic and transportation:						
"Packaging and shipping".....	202	16.2	61	4.9	141	11.3
"Freight rate books, etc.".....	150	12.1	84	6.8	66	5.3
"Credit information service".....	355	28.5	159	12.8	196	15.7
"Collection service".....	151	12.1	54	4.3	97	7.8
Trade practices:						
"Classification of customers".....	60	4.8	14	1.1	46	3.7
"Classification of sales areas".....	30	2.4	8	.6	22	1.8
"Trade practice conferences".....	433	34.8	209	16.8	224	18.0
"Standard business forms and contracts".....	339	27.3	87	7.0	252	20.3
"Combating unfair competition".....	670	53.9	333	26.8	337	27.1
"Cooperative selling".....	15	1.2	5	.4	10	.8
"Commercial arbitration".....	215	17.3	91	7.3	124	10.0
"Registration of patents, trade-marks, designs, and styles".....	145	11.7	33	2.7	112	9.0
Miscellaneous services:						
"Insurance assistance".....	225	18.1	55	4.4	170	13.7
"Legal services".....	426	34.2	157	12.6	269	21.6
"Library service".....	249	20.0	68	5.5	181	14.5
"Patent cross-licensing or pooling".....	(2)	(2)	(2)	(2)	(2)	(2)
"Used machinery exchange".....	95	7.6	12	1.0	83	6.6
"Cooperative buying," including assistance in buying.....	53	4.3	17	1.4	36	2.9
"Conventions".....	667	53.6	450	36.2	217	17.4

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938. For a statement of the nature of the items and the limitations of the data see text pp. 421-5.² Less than 10 associations reported this activity.

TABLE 26.—*Number and percent of total number of national and regional trade associations engaged in the specified classes of activity, 1938-39*¹

Activity	Total number of associations	Percent of total number	Associations indicating major degree of activity ²		Associations indicating minor degree of activity	
			Number	Percent of total number	Number	Percent of total number
Total number of associations.....	1,244	X	X	X	X	X
Government relations.....	1,022	82.2	721	58.0	301	24.2
Employer-employee relations.....	755	60.7	377	30.3	378	30.4
Public relations.....	638	51.3	321	25.8	317	25.5
Trade promotion.....	876	70.4	619	49.8	257	20.6
Standardization and simplification.....	725	58.3	456	36.7	269	21.6
Technical research and advisory services.....	542	43.6	322	25.9	220	17.7
Trade statistics.....	548	44.1	428	34.4	120	9.7
Price and bld information.....	187	15.0	100	8.0	87	7.0
Accounting, cost statistics and studies.....	560	45.0	269	21.6	291	23.4
Statistical republications and special studies.....	678	54.5	332	26.7	346	27.8
Traffic and transportation.....	369	29.7	152	12.2	217	17.5
Credit information.....	355	28.5	159	12.8	196	15.7
Collection service.....	151	12.1	54	4.3	97	7.8
Trade practices.....	833	67.0	438	35.2	395	31.8
Commercial arbitration.....	215	17.3	91	7.3	124	10.0
Registration of patents, trade-marks, designs, and styles.....	145	11.7	33	2.7	112	9.0
Miscellaneous services.....	755	60.7	349	28.1	406	32.6
Conventions.....	667	53.6	450	36.2	217	17.4

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938.

² Those associations appear in this column that reported as of major importance 1 or more of the sub-activities (see table 25) included under the classes of activity specified in this table.

TABLE 27.—Percent of national and regional trade associations in the specified annual income classes that reported as of major importance the activities specified, 1938-39¹

Activity	All associations	Annual income ²										Income unknown
		No income	Less than \$1,000	\$1,000 to \$2,499	\$2,500 to \$4,999	\$5,000 to \$9,999	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$249,999	\$250,000 and over	
All associations, number.....	1,244	31	87	106	110	165	204	219	104	69	32	117
Government relations.....	58.0	41.9	49.4	38.7	49.1	57.6	60.3	65.3	67.3	87.0	78.1	46.2
Employer-employee relations.....	30.3	12.9	14.9	15.1	23.6	33.9	32.8	33.8	44.2	50.7	56.3	18.8
Public relations.....	25.8	19.4	11.5	21.7	20.9	19.4	23.0	25.6	41.3	56.5	71.9	16.2
Trade promotion.....	49.8	35.5	35.6	40.6	40.0	47.3	49.0	59.8	72.1	73.9	84.4	23.9
Standardization and simplification.....	36.7	9.7	17.2	27.4	39.1	38.8	41.7	46.1	40.4	49.3	59.4	17.9
Technical research and advisory services.....	25.9	9.7	10.3	11.3	13.6	20.6	24.0	37.9	38.5	55.7	56.3	17.9
Trade statistics.....	34.4	25.8	16.1	20.8	36.4	37.6	39.2	39.7	45.2	50.7	56.3	12.8
Price and bid information.....	8.0	3.2	4.6	4.7	9.1	7.3	10.8	10.0	11.5	5.8	9.4	4.3
Accounting, cost statistics and studies.....	21.6	19.4	13.8	11.3	18.2	19.4	21.6	20.5	39.4	29.0	34.4	22.2
Statistical publications and special studies.....	26.7	12.9	13.8	14.2	20.9	25.5	22.1	39.7	34.6	36.2	46.9	23.9
Traffic and transportation.....	12.2	12.9	3.4	3.8	8.2	9.1	13.7	15.7	11.5	14.5	21.9	23.1
Credit information.....	12.8	6.5	5.7	12.3	10.5	17.0	16.2	13.2	15.4	14.5	-----	9.4
Collection services.....	4.3	-----	1.1	2.8	2.7	2.4	3.4	8.2	6.7	4.3	-----	6.8
Trade practices.....	35.2	38.7	32.2	33.0	31.8	34.5	37.3	28.8	38.5	46.4	40.6	40.1
Commercial arbitration.....	7.3	-----	3.4	5.7	6.4	8.5	8.3	8.2	10.6	8.7	6.3	6.0
Registration of patents, trade-marks, designs, and styles.....	2.7	-----	1.1	.9	.9	2.4	2.5	1.8	4.8	4.3	13.0	4.3
Miscellaneous services.....	28.1	19.4	20.7	32.1	29.1	27.3	25.5	26.9	33.7	37.7	46.9	23.1
Conventions.....	36.2	35.5	33.3	42.5	38.2	34.5	34.8	77.9	42.3	34.8	40.6	26.5

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938.² Reported for fiscal years ending in some cases in 1938, in others in 1937.

TABLE 28.—Percent of national and regional trade associations having specified number of paid members of staff that reported as of major importance the activities specified, 1938-39¹

Activity	All associations	Paid members of staff ²							Paid staff unknown
		No paid staff	2 or less	3 to 5	6 to 10	11 to 25	26 to 50	Over 50	
All associations, number.....	1,244	129	567	224	108	78	28	23	87
Government relations.....	58.0	39.5	53.6	64.3	66.7	75.6	85.7	73.9	57.6
Employer-employee relations.....	30.3	13.2	25.9	36.2	43.5	57.7	53.6	52.2	14.9
Public relations.....	25.8	17.1	21.7	26.3	35.2	51.3	57.1	52.2	12.6
Trade promotion.....	49.8	30.2	45.7	58.9	62.0	74.4	71.4	73.9	31.0
Standardization and simplification.....	36.7	13.2	39.5	39.7	39.8	42.3	50.0	56.5	26.4
Technical research and advisory services.....	25.9	7.8	19.8	33.9	36.1	48.7	46.4	56.5	24.1
Trade statistics.....	34.4	11.6	35.8	38.8	40.7	38.5	53.6	56.5	24.1
Price and bid information.....	8.0	3.1	7.8	8.9	8.3	7.7	3.6	8.7	16.1
Accounting, cost statistics and studies.....	21.6	8.5	18.2	25.0	29.6	30.8	39.3	39.1	26.4
Statistical republishings and special studies.....	26.7	7.0	22.2	37.1	32.4	39.7	42.9	39.1	31.0
Traffic and transportation.....	12.2	5.4	9.3	13.8	16.7	16.7	17.9	21.7	23.0
Credit information.....	12.8	4.7	12.9	12.1	16.7	19.2	7.1	8.7	18.4
Collection service.....	4.3	1.6	2.3	7.1	5.6	10.3	7.1	-----	8.0
Trade practices.....	35.2	31.0	33.7	33.5	30.6	47.4	53.6	34.8	44.8
Commercial arbitration.....	7.3	4.7	6.3	9.8	4.6	15.4	7.1	13.0	5.7
Registration of patents, trade-marks, designs, and styles.....	2.7	8	2.1	1.8	2.8	9.0	7.1	17.4	-----
Miscellaneous services.....	28.1	21.7	25.7	28.6	30.6	47.4	32.1	43.5	25.3
Conventions.....	36.2	32.6	36.3	40.2	38.9	41.0	35.7	34.8	23.0

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938.

² Size of staff was reported as of the close of fiscal years ending in some cases in 1938, in others in 1937.

TABLE 29.—Percent of national and regional trade associations in the specified membership classes that reported as of major importance the activities specified, 1938-39¹

Activity	All associations	Number of members ²							Number of members unknown
		Less than 10	10 to 19	20 to 49	50 to 99	100 to 249	250 to 499	500 to 1,999	2,000 and over
All associations, number.....	1,244	139	244	261	173	150	85	55	29
Government relations.....	58.0	57.2	57.4	53.5	56.6	59.6	64.3	62.5	72.4
Employer-employee relations.....	30.3	17.4	27.5	23.8	43.4	33.1	40.5	50.0	55.2
Public relations.....	25.8	21.0	21.3	22.3	30.1	31.1	25.0	44.6	55.2
Trade promotion.....	49.8	53.6	48.0	37.7	48.0	58.9	61.9	75.0	75.9
Standardization and simplification.....	36.7	52.2	50.0	37.7	28.3	33.8	28.6	30.4	34.6
Technical research and advisory services.....	25.9	23.2	26.6	25.0	27.2	27.8	28.6	33.9	31.0
Trade statistics.....	34.4	54.3	52.9	31.5	23.1	25.2	26.2	19.6	20.7
Price and bid information.....	8.0	16.7	11.9	8.5	5.8	5.3	2.4	-----	3.4
Accounting, cost statistics and studies.....	21.6	13.0	18.0	17.3	17.9	21.2	32.1	33.9	44.8
Statistical republishings and special studies.....	26.7	32.6	30.3	24.2	20.8	29.1	21.4	26.6	27.6
Traffic and transportation.....	12.2	13.8	15.2	10.8	6.9	14.6	8.3	8.9	6.9
Credit information.....	12.8	15.2	15.6	13.5	9.8	13.9	17.9	3.6	-----
Collection service.....	4.3	3.6	1.6	3.5	4.0	6.0	13.1	5.4	-----
Trade practices.....	35.2	19.6	27.0	34.2	41.6	38.4	42.9	50.0	65.5
Commercial arbitration.....	7.3	2.2	2.0	10.4	10.4	7.9	13.1	15.1	6.9
Registration of patents, trade-marks, designs, and styles.....	2.7	1.4	3.3	1.5	3.5	2.6	3.6	3.6	-----
Miscellaneous services.....	28.1	20.3	19.7	25.0	27.7	33.8	35.7	41.1	34.5
Conventions.....	36.2	10.1	13.9	33.1	47.4	51.0	57.1	69.6	79.3

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938.

² Includes voting members only and only those associations that limit voting membership to business enterprises. Number of members was reported as of the close of fiscal years ending in some cases in 1938, in others, 1937.

TABLE 30.—Percent of national and regional trade associations having the specified coverage that reported as of major importance the activities specified, 1938-39¹

Activity	All associations	Percent of industry volume covered ²				Coverage unknown
		25 percent or less	26 to 50 percent	51 to 75 percent	Over 75 percent	
All associations, number.....	1,244	34	107	309	429	365
Government relations.....	58.0	38.2	56.1	60.2	62.7	52.9
Employer-employee relations.....	30.3	23.5	38.3	35.9	30.8	23.3
Public relations.....	25.8	23.5	23.4	27.5	29.4	21.1
Trade promotion.....	49.8	52.9	50.5	57.0	52.2	40.3
Standardization and simplification.....	36.7	14.7	40.2	44.1	46.6	19.7
Technical research and advisory services.....	25.9	11.8	27.1	31.7	27.5	20.0
Trade statistics.....	34.4	5.9	32.7	40.8	47.6	16.7
Price and bid information.....	8.0	2.9	7.5	7.1	12.8	3.8
Accounting, cost statistics and studies.....	21.6	14.7	18.7	29.8	19.6	18.6
Statistical republications and special studies.....	26.7	11.8	29.9	31.1	32.2	17.0
Traffic and transportation.....	12.2	2.9	8.4	13.3	12.4	13.2
Credit information.....	12.8	5.9	14.0	17.8	12.6	9.0
Collection service.....	4.3	5.9	3.7	5.8	3.3	4.4
Trade practices.....	35.2	32.4	38.3	38.2	32.6	35.1
Commercial arbitration.....	7.3	2.9	3.7	8.1	7.2	8.2
Registration of patents, trade-marks, designs, and styles.....	2.7	2.9	-----	3.9	2.8	2.2
Miscellaneous services.....	28.1	26.5	27.1	25.6	26.1	32.9
Conventions.....	36.2	50.0	30.8	44.3	29.6	37.3

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938.

² The coverage data reflect the situation in the case of some associations in 1938, in others in 1937.

TABLE 31.—Percent of national and regional trade associations organized during the specified periods that reported as of major importance the activities specified, 1938-39¹

Activity	All associations	Year of organization ²					Year of organization unknown
		1930 to 1938	1920 to 1929	1910 to 1909	1890 to 1899	Prior to 1890	
All associations, number.....	1,244	398	232	217	206	54	137
Government relations.....	58.0	55.8	53.9	60.4	59.7	68.5	60.5
Employer-employee relations.....	30.3	32.2	20.7	29.5	32.0	59.3	28.5
Public relations.....	25.8	23.6	26.7	27.2	27.2	29.6	24.8
Trade promotion.....	49.8	44.0	52.2	44.2	56.3	53.7	59.9
Standardization and simplification.....	36.7	42.0	36.6	36.4	29.6	46.3	28.5
Technical research and advisory services.....	25.9	20.1	26.7	28.1	24.8	40.7	33.6
Trade statistics.....	34.4	42.0	31.9	24.4	29.1	31.5	41.6
Price and bid information.....	8.0	11.1	8.6	3.7	5.3	5.6	10.2
Accounting, cost statistics and studies.....	21.6	19.1	17.7	16.6	22.8	31.5	38.0
Statistical republications and special studies.....	26.7	29.6	22.0	22.1	24.8	25.9	36.5
Traffic and transportation.....	12.2	13.1	6.5	11.1	10.7	11.1	24.1
Credit information.....	12.8	14.3	12.1	10.6	9.7	20.4	14.6
Collection service.....	4.3	3.3	3.4	3.7	5.8	9.3	5.8
Trade practices.....	35.2	34.4	30.2	33.2	39.8	37.0	41.6
Commercial arbitration.....	7.3	6.0	6.0	10.1	9.7	11.1	3.6
Registration of patents, trade-marks, designs, and styles.....	2.7	.8	.9	5.5	4.4	9.3	1.5
Miscellaneous services.....	28.1	20.4	25.0	32.7	35.9	44.4	29.9
Conventions.....	36.2	21.4	34.5	43.3	53.4	51.9	38.7

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938.

² "Year of organization" is the year in which the reporting association was formed, unless the association superseded or absorbed an association organized at an earlier date; in such cases the earlier date was used.

TABLE 32.—Number and percent of national and regional trade associations in the specified industry groups that reported as of major importance the activities specified, 1938-39¹

Total number of associations	Industry group	Activity																Price and bid information		Accounting, cost statistics and studies	
		Government relations		Employer-employee relations		Public relations		Trade promotion		Standardization and simplification		Technical research and advisory services		Trade statistics							
		Number	Per-cent	Number	Per-cent	Number	Per-cent	Number	Per-cent	Number	Per-cent	Number	Per-cent	Number	Per-cent	Number	Per-cent				
1,244	Total	721	58.0	377	30.3	321	25.8	619	49.8	456	36.7	322	25.9	428	34.4	100	8.0	269	21.6		
858	Mining, manufacturing, and construction	484	56.4	288	33.6	205	23.9	433	50.5	381	44.4	243	28.3	366	42.7	90	10.5	168	19.6		
6	Coal mining	4	66.7	4	66.7	4	66.7	2	33.3	1	16.7	1	16.7	1	16.7						
11	Mining (other than coal) and quarrying	8	72.7	4	36.4	1	9.1	6	54.5	3	27.3	7	63.6	3	27.3			2	18.2		
108	Petroleum production and refining and natural gas production	9	81.8	4	36.4	6	54.5	4	36.4	6	54.5	4	36.4	5	45.5			1	9.1		
50	Food and kindred products	63	59.4	30	28.3	41	38.7	49	46.2	39	36.8	34	32.1	32	30.2	12	11.3	11	10.4		
55	Textile mill products	33	66.0	19	38.0	10	20.0	17	34.0	18	36.0	10	20.0	25	50.0	2	4.0	7	14.0		
55	Apparel and other finished products made from fabrics and similar materials	24	43.6	37	67.3	7	12.7	16	29.1	8	14.5	3	5.5	5	9.1			8	14.5		
39	Lumber and timber basic products	24	61.5	20	51.3	14	35.9	26	66.7	28	71.8	18	46.2	21	53.8	5	12.8	8	20.5		
37	Furniture and finished lumber products	17	45.9	12	32.4	6	16.2	20	54.1	15	40.5	4	10.8	24	64.9	13	35.1	7	18.9		
62	Paper and allied products	39	62.9	25	40.3	7	11.3	40	64.5	42	67.7	35	56.5	51	82.3	18	29.0	26	41.9		
45	Printing, publishing, and allied industries	14	31.1	22	48.9	11	24.4	18	40.0	13	28.9	10	22.2	6	13.3	4	8.9	15	33.3		
62	Chemicals and allied products	36	69.2	12	23.1	13	25.0	21	40.4	16	30.8	18	34.6	14	26.9	2	3.8	7	13.5		
14	Rubber and leather products	7	50.0	8	57.1	3	21.4	8	57.1	4	28.6	5	35.7	6	42.9	1	7.1	2	14.3		
57	Stone, clay, glass, and kindred products	40	70.2	15	26.3	14	24.6	35	61.4	31	54.4	23	40.4	22	38.6	8	14.0	2	3.5		
103	Iron and steel and their products	59	57.3	25	24.3	10	9.7	53	51.5	71	68.9	36	35.0	63	61.2	13	12.6	25	24.3		
17	Transportation equipment (except automobiles)	9	52.9	7	41.2	7	41.2	9	52.9	2	11.8			4	23.5			3	17.6		
29	Nonferrous metals and their products	13	44.8	7	24.1	2	6.9	13	44.8	13	44.8	9	31.0	17	58.6	4	13.8	6	20.7		
14	Electrical apparatus and supplies	8	57.1	2	14.3	4	28.6	11	78.6	9	64.3	4	28.6	11	78.6	2	14.3	4	28.6		
73	Machinery (except electrical)	44	60.3	17	23.3	27	37.0	44	60.3	39	53.4	9	12.3	39	53.4	2	2.7	20	27.4		
7	Automobiles and automobile equipment	5	71.4	4	57.1	1	14.3	4	57.1	2	28.6	6	11.3	2	28.6	2	28.6	1	14.3		
53	Miscellaneous manufacturing industries	22	41.5	7	13.2	11	20.8	29	54.7	13	24.5	6	11.3	14	26.4	1	1.9	9	17.0		
17	Construction—general and special trade contractors	6	35.3	13	76.5	6	35.3	8	47.1	8	47.1	7	41.2	1	5.9	1	5.9	4	23.5		

[illegible]

TABLE 32.—Number and percent of national and regional trade associations in the specified industry groups that reported as of major importance the activities specified, 1938-39—Continued

Industry group *	Activity—Continued																	
	Statistical republi- cations and special studies		Traffic and trans- portation		Credit in- formation		Collection service		Trade practices		Commercial arbitration		Registration of patents, trade-marks, designs, and styles		Miscella- neous services		Conven- tions	
	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent
Total.....	332	26.7	152	12.2	159	12.8	54	4.3	438	35.2	91	7.3	33	2.7	349	28.1	450	36.2
	245	28.6	96	11.2	130	15.2	33	3.8	269	31.4	47	5.5	23	3.3	214	24.9	246	28.7
Mining, manufacturing, and construction.....	1	16.7			1	16.7			2	33.3					2	33.3	1	16.7
Coal mining.....	3	27.3	1	9.1											1	9.1	6	54.5
Mining (other than coal) and quarrying.....	6	54.5	1	9.1					3	27.3			2	18.2	5	45.5	7	63.6
Petroleum production and refining and natural gas production.....	30	28.3	9	8.5	10	9.4			41	38.7	6	5.7	2	1.9	33	31.1	47	44.3
Food and kindred products.....	13	26.0	3	6.0	9	18.0	2	4.0	23	46.0	7	14.0	5	10.0	15	30.0	7	14.0
Textile mill products.....																		
Apparel and other finished products made from fabrics and similar materials.....	5	9.1	1	1.8	8	14.5	1	1.8	29	52.7	11	20.0	1	1.8	11	20.0	6	10.9
Lumber and timber basic products.....	20	51.3	7	17.9	2	5.1	1	2.6	6	15.4	3	7.7	2	5.1	7	17.9	7	17.9
Furniture and finished lumber products.....	11	29.7	9	24.3	9	24.3	1	2.7	12	32.4					4	10.8	7	18.9
Paper and allied products.....	39	62.9	17	27.4	10	16.1			21	33.9	4	6.5	3	4.8	18	28.0	15	24.2
Printing, publishing, and allied industries.....	6	13.3			16	35.6	6	13.3	21	46.7	3	6.7	1	2.2	10	22.2	17	37.8
Chemicals and allied products.....	14	26.9	9	17.3	6	11.5	3	5.8	17	32.7	3	5.8	2	3.8	14	26.9	8	13.4
Rubber and leather products.....	2	14.3	1	7.1	5	35.7	1	7.1	8	57.1	1	7.1	1	7.1	5	35.7	5	35.7
Stone, clay, glass, and kindred products.....	31	24.6	10	17.5	6	10.5	4	7.0	11	19.3	1	1.8			14	21.6	20	35.1
Iron and steel and their products.....	14	30.1	19	18.4	14	13.6	2	1.9	22	21.4	2	1.9	3	2.9	17	26.2	21	20.4
Transportation equipment (except automobiles) Nonferrous metals and their products.....	3	17.6			35	17.2			3	17.6					5	29.4	5	29.4
Electrical apparatus and supplies.....	4	28.6			2	14.3			6	20.7	1	3.4	1	3.4	5	17.2	6	20.7
Machinery (except electrical) Automobiles and automobile equipment.....	30	41.1	8	11.0	8	11.0	2	2.7	10	21.9	2	2.7	2	2.7	15	20.5	25	34.2
Miscellaneous manufacturing industries.....	2	28.6			2	28.6	1	14.3	1	14.3					4	57.1	3	42.9
Construction—general and special trade contractors.....	3	5.7	1	1.9	17	32.1	8	15.1	13	24.5	2	3.8	3	5.7	11	20.8	18	34.0
	3	17.6							9	52.9	1	5.9			4	23.5	10	58.8

Other:	2	28.6	1	14.3	1	14.3	2	28.6	1	14.3	4	57.1	2	28.6
Fishery.....	28	19.0	17	11.6	22	15.0	70	47.6	34	23.1	47	32.0	71	48.3
Wholesale trade.....	11	12.9	6	7.1	2	2.4	36	42.4	3	3.5	26	30.6	53	62.4
Retail trade.....	9	39.1	---	---	1	4.3	12	52.2	---	---	10	43.5	16	69.6
Finance and real estate.....	30	43.5	31	44.9	1	1.4	16	23.2	5	7.2	23	33.3	25	36.2
Transportation, communication, and other public utilities.....	7	12.7	1	1.8	2	3.6	33	60.0	1	1.8	25	45.5	37	67.3
Personal, business, and recreational services.....	---	---	---	---	---	---	---	---	---	---	---	---	---	---

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code, see appendix C of this report.

TABLE 32A.—Number and percent of national and regional trade associations in the specified industry groups that reported the activities specified, 1938-39

Total number of associations	Industry group *	Activity																Accounting, cost statistics and studies	
		Government relations		Employer-employee relations		Public relations		Trade promotion		Standardization and simplification		Technical research and advisory services		Trade statistics		Prices and bid information			
		Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage		
1,244	Total.....	1,022	82.2	755	60.7	638	51.3	876	70.4	725	58.3	542	43.6	548	44.1	187	15.0	560	45.0
853	Mining, manufacturing, and construction.....	706	82.3	553	64.5	424	49.4	617	71.9	561	65.4	404	47.1	456	53.1	169	19.7	385	44.9
6	Coal mining.....	5	83.3	6	100.0	4	66.7	4	66.7	2	33.3	3	50.0	1	16.7	---	---	---	---
11	Mining (other than coal) and quarrying.....	10	90.9	5	45.5	3	27.3	7	63.6	5	45.5	7	63.6	3	27.3	---	---	3	27.3
11	Petroleum production and refining and natural gas production.....	11	100.0	10	90.9	9	81.8	8	72.7	6	54.5	9	81.8	7	63.6	---	---	6	54.5
106	Food and kindred products.....	96	90.6	62	58.5	67	63.2	68	64.2	55	51.9	53	50.0	45	42.5	16	15.1	36	34.0
50	Textile mill products.....	43	86.0	29	58.0	18	36.0	28	58.0	30	60.0	20	40.0	27	54.0	6	12.0	21	42.0
55	Apparel and other finished products made from fabrics and similar materials.....	34	61.8	38	69.1	23	41.8	28	50.9	14	25.5	15	27.3	11	20.0	2	3.6	23	41.8
39	Lumber and timber basic products.....	32	82.1	29	74.4	21	53.8	32	82.1	34	87.2	28	71.8	33	84.6	9	23.1	20	51.3
37	Furniture and finished lumber products.....	31	83.8	28	75.7	22	59.5	28	75.7	33	89.2	19	51.4	26	70.3	13	35.1	20	54.1
62	Paper and allied products.....	55	88.7	35	58.5	46	74.2	55	88.7	56	90.3	41	66.1	52	83.9	40	64.5	51	82.3
45	Printing, publishing, and allied industries.....	31	68.9	35	77.8	15	33.3	28	62.2	22	48.9	19	42.2	9	20.0	6	13.3	24	53.3
52	Chemicals and allied products.....	45	86.5	22	42.3	23	44.2	30	57.7	32	61.5	30	57.7	23	44.2	8	15.4	14	26.9
14	Rubber and leather products.....	11	78.6	12	85.7	7	50.0	12	85.7	9	64.3	8	57.1	7	50.0	1	7.1	9	64.3
57	Stone, clay, glass, and kindred products.....	49	86.0	33	57.9	24	42.1	46	80.7	43	75.4	34	59.6	31	54.4	14	24.6	15	26.3
103	Iron and steel and their products.....	83	80.6	62	60.2	36	35.0	83	80.6	85	82.5	50	48.5	76	73.8	23	22.3	52	50.5
17	Transportation equipment (except automobiles).....	12	70.6	6	35.3	9	52.9	12	70.6	7	41.2	3	17.6	5	29.4	---	---	4	23.5
29	Nonferrous metals and their products.....	27	93.1	22	75.9	10	34.5	23	79.3	22	75.9	11	37.9	18	62.1	7	24.1	13	44.8
14	Electrical apparatus and supplies.....	13	92.9	10	71.4	6	42.9	13	92.9	13	92.9	8	57.1	12	85.7	5	35.7	9	64.3
73	Machinery (except electrical).....	64	87.7	50	68.5	43	58.9	53	72.6	57	78.1	25	34.2	48	63.8	13	17.8	39	53.4
7	Automobiles and automobile equipment.....	7	100.0	6	85.7	4	57.1	6	85.7	4	57.1	2	28.6	3	42.9	2	28.6	2	28.6
53	Miscellaneous manufacturing industries.....	32	60.4	20	37.7	25	47.2	41	77.4	21	39.6	9	17.0	18	34.0	3	5.7	16	30.2
17	Construction—general and special trade contractors.....	15	88.2	15	88.2	9	52.9	11	64.7	11	64.7	10	58.8	1	5.9	1	5.9	8	47.1
7	Other.....	6	85.7	4	57.1	4	57.1	4	57.1	4	57.1	3	42.9	---	---	---	---	4	57.1
147	Fishery.....	116	78.9	68	46.3	69	46.9	95	64.6	75	51.0	42	28.6	36	24.5	4	2.7	51	34.7
85	Wholesale trade.....	68	80.0	50	58.8	39	69.4	70	82.4	42	49.4	23	27.1	13	15.3	8	9.4	46	54.1
23	Retail trade.....	19	82.6	13	56.5	18	78.3	19	82.6	2	8.7	3	34.8	10	43.5	---	---	13	56.5
69	Finance and real estate.....	62	89.9	31	44.9	27	39.1	27	39.1	20	29.0	36	52.2	19	27.5	3	4.3	39	56.5
55	Transportation, communication, and other public utilities.....	45	81.8	36	65.5	37	67.3	44	80.0	21	38.2	26	47.3	14	25.5	3	5.5	22	40.0
---	Personal, business, and recreational services.....	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

See footnotes at end of table.

Activity—Continued

Industry group ²	Statistical republi- cations and special studies		Traffic and transpor- tation		Credit in- formation		Collection service		Trade practices		Commercial arbitration		Registration of patents, trade-marks, designs, and styles		Miscella- neous services		Conven- tions	
	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent
Total.....	678	54.5	369	29.7	355	28.5	151	12.1	833	67.0	215	17.3	145	11.7	755	60.7	667	53.6
Mining, manufacturing, and construction.....	476	55.0	261	30.4	287	33.4	97	11.3	541	63.1	120	14.0	127	14.8	502	58.5	408	47.6
Coal mining.....	3	50.0	1	9.1	1	16.7			3	50.0			1	16.7	4	66.7	3	50.0
Mining (other than coal) and quarrying.....	7	63.6							2	18.2					5	45.5	6	54.5
Petroleum production and refining and natural gas pro- duction.....	8	72.7	4	36.4					7	63.6	1	9.1	2	18.2	9	81.8	9	81.8
Food and kindred products.....	71	67.0	34	32.1	22	20.8	5	4.7	67	63.2	15	14.2	14	13.2	66	62.3	60	56.6
Textile mill products.....	26	52.0	10	20.0	18	36.0	8	16.0	32	64.0	12	24.0	9	18.0	29	58.0	16	32.0
Apparel and other finished products made from fabrics and similar materials.....	19	34.5	5	9.1	16	29.1	14	25.5	45	81.8	21	38.2	5	9.1	29	52.7	12	21.8
Lumber and timber basic products.....	23	59.0	21	53.8	18	46.2	15	38.5	25	64.1	9	23.1	19	48.7	26	66.7	21	53.8
Furniture and finished lumber products.....	24	64.9	20	54.1	20	54.1	3	8.1	27	73.0	3	8.1	5	13.5	20	54.1	20	54.1
Paper and allied products.....	56	90.3	43	69.4	36	58.1	2	3.2	56	90.3	6	9.7	27	43.5	45	72.6	33	53.2
Printing, publishing, and allied industries.....	21	46.7	5	11.1	24	53.3	7	15.6	30	66.7	9	20.0	5	11.1	29	64.4	27	60.0
Chemicals and allied products.....	28	53.8	23	44.2	15	28.8	5	9.6	23	44.2	4	7.7	7	13.5	25	48.1	17	32.7
Rubber and leather products.....	7	50.0	4	28.6	10	71.4	2	14.3	11	78.6	6	42.9	4	28.6	10	71.4	7	50.0
Stone, clay, glass, and kindred products.....	36	63.2	17	29.8	10	17.5	5	8.8	28	49.1	2	3.3	3	5.3	29	60.9	32	56.1
Iron and steel and their products.....	51	49.5	38	36.9	30	35.0	5	4.9	58	56.3	8	7.8	11	10.7	63	61.2	34	33.0
Transportation equipment (except automobiles) Nonferrous metals and their products.....	4	23.5	1	5.9					6	35.3	3	10.3	3	10.3	15	51.7	8	27.6
Electrical apparatus and supplies.....	13	44.8	7	24.1	10	34.5	3	10.3	18	62.1	2	14.3	2	14.3	7	50.0	8	57.1
Machinery (except electrical) Automobiles and automobile equipment.....	46	63.0	17	23.3	20	27.4	7	9.6	46	63.0	8	11.0	4	5.5	44	60.3	39	53.4
Miscellaneous manufacturing industries.....	5	71.4	1	14.3	2	28.6	1	14.3	4	57.1	1	14.3			7	100.0	6	85.7
Construction—general and special trade contractors.....	16	30.2	4	7.5	23	43.4	12	22.6	30	56.6	6	11.3	8	15.1	21	39.6	28	52.8
Other:	4	23.5			1	5.9	1	5.9	13	76.5	4	23.5			9	52.9	14	82.4
Fishery.....	3	42.9	2	28.6	2	28.6			4	57.1	1	14.3			7	100.0	4	57.1
Wholesale trade.....	70	47.6	45	30.6	38	25.9	23	16.6	115	78.2	55	37.4	7	4.8	95	64.6	91	61.9
Retail trade.....	47	56.3	22	25.9	19	22.4	20	23.5	66	76.5	20	23.5	1	1.2	56	65.9	68	80.0
Finance and real estate.....	17	73.9			1	4.3			16	69.6	1	4.3			18	78.3	18	78.3
Transportation, communication, and other public utilities.....	41	59.4	38	55.1	5	7.2	4	5.8	48	69.6	9	13.0	5	7.2	34	49.3	31	44.9
Personal, business, and recreational services.....	24	43.6	1	1.8	3	5.5	7	12.7	44	80.0	9	16.4	5	9.1	43	78.2	47	85.5

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code, see appendix C of this report.

TABLE 33.—Percent of national and regional trade associations engaged in the specified activities that reported the performance of activities in the manner specified, 1938-39¹

Activity ²	Number of associations reporting manner of performance	Manner of performance				
		By staff (paid and unpaid)	By committee	By outside agency		
				Business (profit) agency ³	Public, institutional, or other nonprofit agency	Type not ascertained
All associations—number.....	1,070					
Government relations.....	939	89	60	7	1	48
Employer-employee relations.....	725	81	44	2	2	47
Public relations.....	617	70	39	6	1	43
Trade promotion.....	829	83	61	13	3	44
Standardization and simplification.....	708	57	73	1	4	54
Technical research and advisory services.....	508	67	51	6	14	14
Trade statistics.....	537	82	17	3	7	3
Price and bid information.....	184	92	9	2		41
Accounting, cost statistics and studies.....	533	59	50	4	1	49
Statistical republications and special studies.....	644	30	16	2		43
Traffic and transportation.....	340	59	54	6		45
Credit information.....	342	83	18	4		44
Collection service.....	143	76	11	8		45
Trade practices.....	785	74	64	1		44
Commercial arbitration.....	209	61	57	3	5	1
Registration of patents, trademarks, and style.....	140	66	32	4		49
Miscellaneous services.....	695	73	24	15		44
Conventions.....	620	81	49			42

¹ Based on returns from 1,070 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938. It will be noticed that the percentages beside each activity total to more than 100, which indicates that each activity was performed in more than one manner by some associations.

² Includes activities reported as of "minor" as well as of "major" importance.

³ Does not include management organizations, which operate or administer the affairs of more than 1 trade association.

⁴ It is believed that for the most part these are business agencies.

⁵ These percentages do not reflect the extensive contacts that are maintained with the National Bureau of Standards and other standards' agencies in connection with the promulgation of recommendations in this field of activity.

TABLE 34.—Number and percent of national and regional trade associations holding the specified number of specified types of meetings during the year, 1937-38¹

Number of meetings held during most recent year (1937 or 1938)	Total number of associations	Type of meeting											
		Executive committee		Board of directors		Other committee		Product group		Regional group		Membership in general	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Number of associations reporting meetings.....	987	492	100.0	628	100.0	667	100.0	163	100.0	269	100.0	910	100.0
2 or less.....	X	191	38.8	255	40.6	125	18.8	33	20.2	62	23.0	554	60.9
3 to 5.....	X	161	32.7	227	36.1	169	25.4	31	19.0	51	19.0	158	17.4
6 to 10.....	X	84	17.1	84	13.4	139	20.9	46	28.2	53	19.7	102	11.2
11 to 25.....	X	51	10.4	54	8.6	135	20.2	33	20.3	56	20.8	74	8.1
26 to 50.....	X	3	.6	4	.6	36	5.4	6	3.7	20	7.5	6	.7
51 to 100.....	X			1	.2	21	3.1	5	3.1	10	3.7	3	.3
101 to 200.....	X					9	1.3	2	1.2	2	.7		
200 and over.....	X					3	.4	1	.6	1	.4		
Number of meetings not indicated.....	X	2	.4	3	.5	30	4.5	6	3.7	14	5.2	13	1.4
Associations reporting no meetings.....	17	X	X	X	X	X	X	X	X	X	X	X	X

¹ Based on returns from 1,004 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938.

TABLE 35.—*Age of trade association executives, 1938-39*¹

Age	Number of executives	Percent of number reporting	Age	Number of executives	Percent of number reporting
Number in sample.....	204	X	50 to 54.....	37	21.8
Number reporting age.....	169	100.0	55 to 59.....	20	11.8
Less than 30.....	4	2.4	60 to 64.....	13	7.7
30 to 34.....	10	5.9	65 to 69.....	3	1.8
35 to 39.....	16	9.5	70 to 74.....	1	.6
40 to 44.....	29	17.2	75 and over.....		
45 to 49.....	36	21.3	Number not reporting age.....	35	X

¹ Based on returns from 169 of approximately 1,505 national and regional trade associations active in June, 1938. Age was reported by some executives in 1938, by others in 1939.

TABLE 36.—*Previous occupations of trade association executives, 1938-39*¹

Previous occupation ²	Number of executives	Percent of number reporting
Number in sample.....	204	X
Number reporting previous occupation.....	188	100.0
Lawyer—private practice.....	2	1.1
Lawyer—connection unknown.....	14	7.4
Accountant—connection unknown.....	1	.5
Engineer or scientist—connection unknown.....	2	1.1
Economist or statistician—connection unknown.....	2	1.1
Administrative official in a public or other institutional agency.....	14	7.4
Executive in a trade association.....	27	14.4
Business executive, administrative official, or salesman.....	107	56.9
Other.....	19	10.1
Number not reporting previous occupation.....	16	X

¹ Based on returns from 188 of approximately 1,505 national and regional trade associations active in June 1938. Returns were made by some associations in 1938, by others in 1939.

² That is, his most recent occupation prior to joining the association, except where the most recent occupation could not be determined, in which case his principal prior occupation was chosen.

TABLE 37.—*Nature of trade association executive's connection with the industry represented by the association, 1938-39*¹

Nature of industry connection	Number of executives	Percent of number reporting
Number in sample.....	204	X
Number reporting industry connection.....	196	100.0
Member of industry at present time—paid.....	11	5.6
Member of industry at present time—not paid.....	23	11.7
Not member of industry at present time but previously connected with in a business capacity ²	49	25.0
Not member of industry at present time and not previously connected with in a business capacity ²	71	36.3
Not member of industry at present time and not determined whether or not previously connected with in a business capacity ²	42	21.4
Number not reporting industry connection.....	8	X

¹ Based on returns from 196 of approximately 1,505 national and regional trade associations active in June 1938. Returns were made by some associations in 1938, by others in 1939.

² That is, service in the industry in a business executive, administrative, or selling capacity.

TABLE 38.—*Number of national and regional trade associations administered by management organizations, 1938-39*¹

Number of associations administered by management organizations ²	Number of management organizations	Total number of associations	Percent of total associations
Total.....	114	316	100.0
1.....	40	40	12.7
2.....	38	76	24.1
3.....	18	54	17.1
4.....	7	28	8.8
5.....	2	10	3.2
6.....	2	12	3.8
7.....	2	14	4.4
10.....	2	20	6.3
13.....	1	13	4.1
14.....	1	14	4.4
35.....	1	35	11.1

¹ Based on returns from 1,065 of approximately 1,505 national and regional trade associations active in June 1938. The data represent the situation as of the time the returns were filed which in some cases was in 1938, in others in 1939.

² Defined to mean a person or firm that operates or manages more than 1 trade association.

TABLE 39.—*Number of national and regional trade associations administered by management organizations classified by industry group, 1938-39*¹

Industry group ²	Total number of associations	Associations administered by management organizations	
		Number	Percent
Total.....	1,065	316	29.7
Mining, manufacturing, and construction.....	757	259	34.2
Coal mining.....	4	—	—
Mining (other than coal) and quarrying.....	8	3	37.5
Petroleum production and refining and natural gas production.....	11	2	18.2
Food and kindred products.....	90	26	28.9
Textile mill products.....	41	11	26.8
Apparel and other finished products made from fabrics and similar materials.....	46	6	13.0
Lumber and timber basic products.....	34	4	11.8
Furniture and finished lumber products.....	35	14	40.0
Paper and allied products.....	59	37	62.7
Printing, publishing, and allied industries.....	37	6	16.2
Chemicals and allied products.....	46	16	34.8
Rubber and leather products.....	13	—	—
Stone, clay, glass, and kindred products.....	47	14	29.8
Iron and steel and their products.....	97	52	53.6
Transportation equipment (except automobiles).....	11	—	—
Nonferrous metals and their products.....	29	12	41.4
Electrical apparatus and supplies.....	13	6	46.2
Machinery (except electrical).....	70	32	45.7
Automobiles and automobile equipment.....	7	1	14.3
Miscellaneous manufacturing industries.....	44	17	38.6
Construction—general and special trade contractors.....	15	—	—
Other:			
Fishery.....	6	4	66.7
Wholesale trade.....	124	27	21.8
Retail trade.....	76	11	14.5
Finance and real estate.....	15	1	6.7
Insurance.....	21	8	38.1
Transportation, communication, and other public utilities.....	30	1	3.3
Personal, business, and recreational services.....	36	5	13.9

¹ Based on returns from 1,065 of approximately 1,505 national and regional trade associations active in June 1938. The figure 1,065 represents those associations for which the presence or absence of the management status could be definitely determined. There is reason to believe, however, that there are few associations in the field of manufacturing administered by management organizations which are not included in the above table, so that the ratios in the third column probably overstate somewhat the prominence of management groups in manufacturing. On the other hand, the ratios in some of the nonmanufacturing groups, particularly insurance and transportation, communication, and other public utilities, are believed to understate the situation. Management organizations are defined to mean persons or firms that operate or manage more than 1 trade association.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code, see appendix C of this report.

TABLE 40.—*Industrial distribution of national and regional trade associations administered by each of the management organizations handling 5 or more associations, 1938-39*¹

Industry group ²	Total number of associations	Management organization ³										
		No. 1	No. 2	No. 3	No. 4	No. 5	No. 6	No. 7	No. 8	No. 9	No. 10	No. 11
Total.....	118	35	14	13	10	10	7	7	6	6	5	5
Mining, manufacturing, and construction.....	111	35	14	13	10	10	3	7	6	3	5	5
Coal mining.....	1				1							
Mining (other than coal) and quarrying.....	1											
Petroleum production and refining and natural gas production.....	7	1						6				
Food and kindred products.....	5	1	1		2		1					
Textile mill products.....												
Apparel and other finished products made from fabrics and similar materials.....												
Lumber and timber basic products.....												
Furniture and finished lumber products.....	8	4	1	2		1						
Paper and allied products.....	23	18									5	
Printing, publishing, and allied industries.....	1							1				
Chemicals and allied products.....	8	3				1						4
Rubber and leather products.....												
Stone, clay, glass, and kindred products.....	8	5		1					2			
Iron and steel and their products.....	26		8	9	3	5			1			
Transportation equipment (except automobiles).....												
Nonferrous metals and their products.....	4	1	1			2						
Electrical apparatus and supplies.....	3			1	1		1					
Machinery (except electrical).....	6	1	1			1			3			
Automobiles and automobile equipment.....	1				1							
Miscellaneous manufacturing industries.....	10	1	2		2		1			3		1
Construction—general and special trade contractors.....												
Other:												
Fishery.....												
Wholesale trade.....	5						4			1		
Retail trade.....	2									2		
Finance and real estate.....												
Insurance.....												
Transportation communication, and other public utilities.....												
Personal, business, and recreational services.....												

¹ Based on returns from 1,065 of approximately 1,505 national and regional trade associations active in June 1938. See note to table 39 for further explanations.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code, see appendix C of this report.

³ Defined to mean a person or firm that operates or manages more than 1 trade association.

TABLE 41.—Number of national and regional trade associations administered by management organizations classified according to number of members and percent of coverage by volume of business, 1937-38¹

Number of members ²	Total		Number of associations having specified coverage by volume of business			
	Number of associations	Percent	25 percent and under	26 to 50 percent	51 to 75 percent	Over 75 percent
Total number.....	271	X	5	34	89	143
Percent of total.....	X	100.0	1.8	12.5	32.7	53.0
Less than 10.....	66	24.4	-----	9	21	36
10 to 19.....	104	38.4	1	11	33	59
20 to 49.....	50	18.5	1	4	18	27
50 to 99.....	26	9.5	1	5	8	12
100 to 249.....	17	6.3	1	3	7	6
250 to 499.....	5	1.8	1	-----	2	2
500 to 999.....	-----	-----	-----	-----	-----	-----
1,000 to 1,999.....	-----	-----	-----	-----	-----	-----
2,000 to 4,999.....	2	.7	-----	2	-----	-----
5,000 to 9,999.....	1	.4	-----	-----	-----	1

¹ Based on returns from 271 of 316 national and regional trade associations known to have been administered by management organizations in June 1938. A management organization is defined to mean a person or firm operating or managing more than 1 trade association.

² Voting members only—reported as of the end of fiscal years ending in some cases in 1937, in others in 1938.

TABLE 42.—Number of national and regional trade associations administered by management organizations distributed by amount of annual income, 1937-38¹

Annual income ²	All associations		All associations administered by management organizations		Associations administered by management organizations handling 5 or more associations	
	Number	Percent	Number	Percent	Number	Percent
Total number.....	1,023	100.0	302	100.0	112	100.0
No income.....	21	2.1	3	1.0	1	.9
Under \$1,000.....	55	5.4	12	4.0	1	.9
\$1,000 to \$2,499.....	87	8.5	36	11.9	10	8.9
\$2,500 to \$4,999.....	99	9.7	46	15.2	20	17.9
\$5,000 to \$9,999.....	157	15.3	61	20.2	17	15.2
\$10,000 to \$19,999.....	187	18.2	66	21.9	22	19.6
\$20,000 to \$49,999.....	213	20.8	59	19.5	31	27.6
\$50,000 to \$99,999.....	97	9.5	9	3.0	6	5.4
\$100,000 to \$249,999.....	75	7.3	9	3.0	3	2.7
\$250,000 to \$499,999.....	20	2.0	1	.3	1	.9
\$500,000 and over.....	12	1.2	-----	-----	-----	-----

¹ Based on returns from associations, 1,023 in number, that reported both income and management status. A management organization is defined as a person or firm operating or managing more than 1 trade association.

² For fiscal years ending in the case of some associations in 1938, in others in 1937.

TABLE 43.—Percent of national and regional trade associations classified according to management status reporting the specified activities as of major importance, 1938-39¹

Activity	All associations	Associations administered by management organizations	Associations not administered by management organizations	Management status unknown
All associations, number.....	1, 244	308	736	200
Government relations.....	58.0	55.2	61.0	51.0
Employer-employee relations.....	30.3	30.1	33.5	19.0
Public relations.....	25.8	17.3	31.4	18.0
Trade promotion.....	49.8	49.7	55.0	30.5
Standardization and simplification.....	36.7	53.3	36.2	13.0
Technical research and advisory services.....	25.9	29.1	26.2	20.0
Trade statistics.....	34.4	58.5	31.3	9.0
Price and bid information.....	8.0	16.7	5.8	3.0
Accounting, cost statistics and studies.....	21.6	23.6	22.0	17.5
Statistical republications and special studies.....	26.7	33.3	25.9	19.5
Traffic and transportation.....	12.2	15.4	10.0	15.5
Credit information.....	12.8	15.7	12.9	8.0
Collection service.....	4.3	2.9	4.7	5.0
Trade practices.....	35.2	26.1	39.9	32.0
Commercial arbitration.....	7.3	4.2	8.9	5.0
Registration of patents, trade-marks, designs, and styles.....	2.7	2.3	2.8	2.5
Miscellaneous services.....	28.1	23.6	28.7	32.5
Conventions.....	36.2	27.8	41.1	31.0

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938. Management organizations are defined to mean persons or firms operating or managing more than 1 trade association.

TABLE 44.—Number of national and regional federations of trade associations classified according to nature of the affiliated associations and industry group, 1938-39¹

Industry group ¹	Total number of federations	Number having area affiliates only				Number having product affiliates only	Number having both area and product affiliates
		Total	Regional only	State and local only	Regional, State, and local		
Total.....	62	55	3	18	34	5	2
Mining, manufacturing, and construction.....	35	28	2	9	17	5	2
Coal mining.....	1	1			1		
Mining (other than coal) and quarrying.....	1						1
Petroleum production and refining and natural gas production.....	2	2			2		
Food and kindred products.....	2	2		1	1		
Textile mill products.....	1	1			1		
Apparel and other finished products made from fabrics and similar materials.....	3	2			2		1
Lumber and timber basic products.....	1					1	
Furniture and finished lumber products.....	1	1	1				
Paper and allied products.....	3	2			2	1	
Printing, publishing, and allied industries.....	4	4		3	1		
Chemicals and allied products.....	2	2	1		1		
Rubber and leather products.....							
Stone, clay, glass, and kindred products.....	2	1			1	1	
Iron and steel and their products.....	1	1			1		
Transportation equipment (except automobiles).....	1					1	
Nonferrous metals and their products.....							
Electrical apparatus and supplies.....							
Machinery (except electrical).....	2	1			1	1	
Automobiles and automobile equipment.....							
Miscellaneous manufacturing industries.....							
Construction—general and special trade contractors.....	8	8		5	3		

See footnotes at end of table.

TABLE 44.—Number of national and regional federations of trade associations classified according to nature of the affiliated associations and industry group, 1938-39—Continued

Industry group	Total number of federations	Number having area affiliates only				Number having product affiliates only	Number having both area and product affiliates
		Total	Regional only	State and local only	Regional, State, and local		
Other:							
Fishery.....	4	4			4		
Wholesale trade.....	11	11		4	7		
Retail trade.....	1	1			1		
Finance and real estate.....	2	2		1	1		
Transportation, communication, and other public utilities.....	9	9	1	4	4		
Personal, business, and recreational services.....							

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938. The data reflect the situation approximately as of the time the schedules were returned, which in some cases were in 1938, in others in 1939. A "federation" is a trade association whose membership consists wholly or in part of other trade associations. "Affiliates" are the member trade associations.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code, see appendix C of this report.

TABLE 45.—Number and percent of national and regional federations of trade associations classified according to amount of annual income, 1938-39¹

Annual income ²	Federations of trade associations		Annual income ²	Federations of trade associations	
	Number	Percent		Number	Percent
Total.....	60	100.0			
No income.....	2	3.3	\$10,000 to \$19,999.....	10	16.7
Less than \$1,000.....	1	1.7	\$20,000 to \$49,999.....	10	16.7
\$1,000 to \$2,499.....	5	8.3	\$50,000 to \$99,999.....	10	16.7
\$2,500 to \$4,999.....	1	1.7	\$100,000 to \$249,999.....	11	18.3
\$5,000 to \$9,999.....	7	11.6	\$250,000 to \$499,999.....	2	3.3
			\$500,000 and over.....	1	1.7

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938. This tabulation covers 60 of the total of 62 federations revealed in the analysis of the 1,244 associations. A "federation" is a trade association whose members consist wholly or in part of other trade associations. "Affiliates" are the member trade associations.

² Annual income was reported in some cases for fiscal years ending in 1938, in others in 1937.

TABLE 46.—Number and percent of national and regional affiliates of national and regional federations of trade associations performing the specified activities classified according to the manner in which the activities are performed, 1938-39¹

Activity ²	Total number of affiliates		Manner of performance					
			By affiliate and federation		By affiliate exclusively		By federation exclusively	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
All affiliates, number.....	111	X	X	X	X	X	X	X
Government relations.....	109	100.0	95	87.2	2	1.8	12	11.0
Employer-employee relations.....	106	100.0	67	63.2	5	4.7	34	32.1
Public relations.....	102	100.0	54	52.9	5	4.9	43	42.2
Trade promotion.....	103	100.0	77	74.8	3	2.9	23	22.3
Standardization and simplification.....	96	100.0	62	64.6	7	7.3	27	28.1
Technical research and advisory services.....	72	100.0	26	36.2	23	31.9	23	31.9
Trade statistics.....	70	100.0	42	60.0	13	18.6	15	21.4
Price and bid information.....	26	100.0			21	80.8	5	19.2
Accounting, cost statistics and studies.....	92	100.0	40	43.5	15	16.3	37	40.2
Statistical republishings and special studies.....	105	100.0	66	62.8	7	6.7	32	30.5
Traffic transportation.....	55	100.0	24	43.6	9	16.4	22	40.0
Credit information.....	47	100.0	9	19.1	20	42.6	18	38.3
Collection service.....	34	100.0	3	8.8	11	32.4	20	58.8
Trade practices.....	105	100.0	67	63.8	13	12.4	25	23.8
Commercial arbitration.....	37	100.0	10	27.0	19	51.4	8	21.6
Registration of patents, trade-marks, designs, and styles.....	24	100.0	3	12.5	8	33.3	13	54.2
Miscellaneous services.....	106	100.0	65	61.3	9	8.5	32	30.2
Conventions.....	91	100.0	53	58.2	21	23.1	17	18.7

¹ Based on returns from 1,244 of approximately 1,404 national and regional trade associations, exclusive of those in the insurance field, that were active in June 1938. This tabulation is based on 111 of the total of 139 national and regional affiliates revealed in the analysis of the 1,244 associations. The data reflect the situation approximately as of the time the schedules were returned, which in some cases was in 1938, in others in 1939. A "federation" is a trade association whose membership consists wholly or in part of other trade associations. "Affiliates" are the member trade associations.

² This table includes activities reported by the associations as of both "major" and "minor" importance.

TABLE 46A.—Number of national and regional trade associations reporting a major emphasis on trade practices and related activities and combinations thereof by industry group, 1938-39¹

Industry group ²	Total number of associations	Activities ³						
		None of the specified activities	Only "trade practices"	Only "trade practices" and statistics	Only "trade practices" and accounting	"Trade practices," statistics, and accounting	Only statistics	Only statistics and accounting
Total number of associations.....	1,175	434	206	84	67	65	215	71
Mining, manufacturing, and construction.....	858	305	110	72	43	44	203	61
Coal mining.....	6	3	2	—	—	—	1	—
Mining (other than coal) and quarrying.....	11	6	—	—	—	—	3	—
Petroleum production and refining and natural gas production.....	11	3	2	—	1	—	5	—
Food and kindred products.....	106	47	24	7	2	8	17	1
Textile mill products.....	50	17	6	11	2	4	9	1
Apparel and other finished products made from fabrics and similar materials.....	55	23	20	1	7	1	3	—
Lumber and timber basic products.....	39	12	2	3	—	1	14	4
Furniture and finished lumber products.....	37	8	3	8	—	1	11	5
Paper and allied products.....	62	6	1	10	1	9	19	15
Printing, publishing, and allied industries.....	45	20	7	1	10	3	2	1
Chemicals and allied products.....	52	26	7	4	3	3	8	1
Rubber and leather products.....	14	3	4	3	—	1	—	1
Stone, clay, glass, and kindred products.....	57	27	4	6	1	—	18	1
Iron and steel and their products.....	103	24	8	6	1	7	40	11
Transportation equipment (except automobiles).....	17	11	2	—	—	1	1	2
Nonferrous metals and their products.....	29	8	1	3	1	1	11	3
Electrical apparatus and supplies.....	14	1	—	3	2	—	6	2
Machinery (except electrical).....	73	22	6	4	4	2	21	12
Automobiles and automobile equipment.....	7	3	1	—	—	—	2	1
Miscellaneous manufacturing industries.....	53	27	6	1	5	1	10	2
Construction—general and special trade contractors.....	17	8	4	1	3	1	—	—
Other:								
Fishery.....	7	5	—	—	2	—	—	—
Wholesale trade.....	147	62	43	7	7	13	6	4
Retail trade.....	85	35	22	1	9	4	4	3
Finance and real estate.....	23	8	8	1	2	1	1	2
Personal, business, and recreational services.....	55	19	23	3	4	3	1	1

¹ Based on returns from 1,175 of 1,321 national and regional trade associations, exclusive of those in the fields of transportation, public utilities, and insurance, that were active in June 1938.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code see appendix C of this report.

³ "Statistics": Trade statistics and/or price information. "Accounting": Uniform accounting and/or cost studies. For types of activity reported under the item, "trade practices," see text, pp. 24-25.

TABLE 46B.—*Number of national and regional trade associations reporting a major emphasis on trade practices and related activities and combinations thereof by size of membership, 1938-39*¹

Number of members ¹	Total number of associations	Activities ²							
		None of the specified activities	Only "trade practices"	Only "trade practices" and statistics	Only "trade practices" and accounting	"Trade practices," statistics, and accounting	Only statistics	Only statistics and accounting	Only accounting
Total number of associations.....	1, 175	434	206	84	67	65	215	71	33
Associations reporting this item.....	1, 092	395	192	82	66	57	207	65	28
Less than 10.....	137	41	11	17	2	4	50	9	3
10 to 19.....	241	73	28	24	5	13	74	21	3
20 to 49.....	248	98	50	16	8	13	40	15	8
50 to 99.....	162	66	36	11	14	7	20	4	4
100 to 249.....	144	60	31	9	11	6	15	7	5
250 to 499.....	79	32	14	3	12	7	5	4	2
500 to 999.....	35	11	10	2	4	3	—	2	3
1,000 to 1,999.....	18	7	4	—	4	—	2	1	—
2,000 to 4,999.....	16	6	4	—	2	3	—	1	—
5,000 to 9,999.....	7	—	3	—	2	1	1	—	—
10,000 and over.....	5	1	1	—	2	—	—	1	—
Associations not reporting this item.....	83	39	14	2	1	8	8	6	5

¹ Based on returns from 1,175 of 1,321 national and regional trade associations, exclusive of those in the fields of transportation, public utilities, and insurance, that were active in June 1938.

² Includes voting members only and only those associations that limit voting memberships to business enterprises. Number of members was reported as of the close of fiscal years ending in some cases in 1938, in others, in 1937.

³ "Statistics": Trade statistics and/or price information. "Accounting": Uniform accounting and/or cost studies. For types of activity reported under the item, "trade practices," see text, pp. 24-25.

TABLE 47.—*Number of cases instituted by the Federal Trade Commission and the Department of Justice against trade associations and other groups classified according to the manner of their disposition, June 1935-October 1939*¹

Manner of disposition	Number of cases		
	Total	Instituted by Federal Trade Commission	Instituted by Department of Justice
Total.....	125	93	32
Cases pending, Oct. 1, 1939.....	48	33	15
Cases closed.....	11	8	3
Cases decided against respondents:			
Cease and desist orders.....	52	52	X
Consent decrees.....	7	X	7
Injunctions.....	1	X	1
Convictions.....	6	X	6
Cases appealed:			
Pending, Oct. 1, 1939.....	6	4	2
Original action modified.....	2	1	1

¹ Based on an analysis of records in the files of the Federal Trade Commission and the Department of Justice.

TABLE 48.—*Number of cases instituted by the Federal Trade Commission and the Department of Justice against trade associations and other groups classified according to the alleged objective and form of the respondent groups, June 1935–October 1939*¹

Objective of respondent group	Total	Form of respondent group				
		Single incorporated trade association	Single unincorporated trade association	Single trade association, corporate status unknown	More than one trade association	Informal combination
Total.....	125	35	26	6	25	33
Elimination of price competition.....	85	19	25	3	18	20
Elimination of competitors:						
Involving control of distribution channels.....	14	9	-----	1	2	2
Not involving control of distribution channels.....	24	7	1	2	3	11
Elimination of design "piracy".....	2	-----	-----	-----	2	-----

¹ Based on an analysis of records in the files of the Federal Trade Commission and the Department of Justice.

TABLE 49.—*Number of cases instituted by the Federal Trade Commission and the Department of Justice against trade associations and other groups classified according to the industry of the respondent groups and the alleged objective of their programs, June 1935–October 1939*¹

Industry of respondent group ²	Total	Objective of respondent group			
		Elimination of price competition	Elimination of competitors		Elimination of design "piracy"
			Cases involving control of distribution channels	Cases not involving control of distribution channels	
Total.....	125	85	14	24	2
Manufacturing:					
Food and related products.....	8	6	2	-----	-----
Textiles.....	2	1	-----	1	-----
Apparel.....	12	8	-----	2	2
Lumber and furniture.....	7	7	-----	-----	-----
Paper and pulp.....	6	6	-----	-----	-----
Chemicals.....	6	6	-----	-----	-----
Petroleum products—refining and distribution.....	2	2	-----	-----	-----
Stone, clay, and glass products.....	6	6	-----	-----	-----
Iron and steel and their products.....	7	6	-----	1	-----
Machinery, including electrical.....	6	6	-----	-----	-----
Miscellaneous manufacturing.....	10	10	-----	-----	-----
Wholesaling and retailing:					
Automotive.....	5	5	-----	-----	-----
Food, confectionery, tobacco.....	9	2	4	3	-----
Book.....	2	1	-----	1	-----
Milk.....	2	2	-----	-----	-----
Fish.....	5	2	1	2	-----
Furniture.....	2	1	1	-----	-----
Lumber and building supplies, including contracting.....	7	-----	3	4	-----
Liquor.....	4	4	-----	-----	-----
Motion-picture distribution and exhibition, including production.....	6	-----	-----	6	-----
Other.....	6	2	3	1	-----
Personal, business, and professional services.....	5	2	-----	3	-----

¹ Based on an analysis of records in the files of the Federal Trade Commission and the Department of Justice.

² Cases involving respondents in 2 or more of the specified industries were classified according to the industry of the predominant respondents.

TABLE 50.—*Number of cases instituted by the Federal Trade Commission and the Department of Justice against trade associations and other groups classified according to the geographic scope of the respondent groups and the alleged objective of their programs, June 1935–October 1939*¹

Objective of respondent group	Total	Geographic scope of respondent group ²			
		National	Regional	State	Local
Total.....	125	77	15	7	26
Elimination of price competition.....	85	61	11	4	9
Elimination of competitors:					
Cases involving control of distribution channels.....	14	6		1	7
Cases not involving control of distribution channels.....	24	8	4	2	10
Elimination of design "piracy".....	2	2			

¹ Based on an analysis of records in the files of the Federal Trade Commission and the Department of Justice.

² Cases involving respondent groups with different geographic scope were classified according to the scope of the association embracing the largest area. This geographic classification is based on the location of the members of the respondent groups, not on the character of their commerce.

TABLE 51.—*Number of cases instituted by the Federal Trade Commission and the Department of Justice against trade associations and other groups classified according to the principal methods alleged to have been employed in programs to eliminate price competition, June 1935–October 1939*¹

Method	Number of cases	Method	Number of cases
Price agreements.....	78	Restriction on terms and other conditions of sale.....	35
Cooperative selling and licensing.....	4	Price filing and price statistics.....	32
Resale price maintenance.....	40	Trade statistics.....	18
Agreement on processing and product differentials.....	5	Standardization and simplification.....	7
Restrictions on trade and quantity discounts and customer classification.....	51	Production and sales control.....	13
Restriction on geographic price policies.....	31	Allocation of buyers and sales territories.....	13
		Buying out.....	5

¹ Based on an analysis of 85 cases in which the major objective of the respondent group was the elimination or minimizing of price competition.

TABLE 52.—*Number of cases instituted by the Federal Trade Commission and the Department of Justice against trade associations and other groups classified according to devices and sanctions alleged to have been used in programs to eliminate price competition, June 1935–October 1939*¹

Devices and sanctions	Number of cases	Devices and sanctions	Number of cases
Devices used to determine extent of compliance:		Sanctions invoked to secure compliance—Continued.	
Investigation.....	28	Effecting withdrawal of credit.....	1
Trial or hearing.....	7	"Full line" forcing.....	3
Sanctions invoked to secure compliance:		Disparagement.....	1
No sanctions.....	33	Inducing discrimination by health inspectors.....	1
Exhortation.....	45	Bribing of employees.....	1
Financial penalties.....	11	Agreement with newspapers not to advertise cut-rate prices.....	1
Boycott.....	18	Threats and use of "coercion" or "disciplinary action".....	17
Price cutting.....	7		
Violence.....	2		
Labor union cooperation.....	1		
Misrepresentation of Federal law.....	5		

¹ Based on an analysis of 85 cases in which the major objective of the respondent group was the elimination or minimizing of price competition.

TABLE 53.—*Summary tabulation of 882 current trade statistics series by type of series and industry group, 1938-39*¹

Industry group	Total number of series	Percent of total	Number of specified types of series											Number of associations represented	
			Production	Machine activity	Stocks	Shipments	Sales	Returns	New orders	Net orders	Unfilled orders	Cancellations	Raw-material stocks		Raw-material consumption
Total number of series.....	882	X	117	13	94	255	135	8	119	14	78	17	16	16	264
Percent of total.....	X	100.0	13.3	1.5	10.7	28.9	15.3	0.9	13.5	1.6	8.8	1.9	1.8	1.8	X
Mining, quarrying, and petroleum	7	0.8	3	---	1	2	1	---	---	---	---	---	---	---	3
Food and kindred products.....	38	4.3	11	---	4	6	10	1	---	---	2	1	2	1	18
Textiles and apparel.....	50	5.7	7	1	6	15	7	---	7	---	6	---	---	1	15
Lumber and timber basic products	128	13.9	22	4	23	26	5	---	19	---	22	---	1	1	19
Furniture and finished lumber products.....	56	6.3	4	---	4	29	6	1	5	---	3	4	---	---	20
Paper and allied products.....	159	18.0	23	2	20	49	10	---	26	5	15	2	3	4	35
Printing, publishing, and allied industries.....	15	1.7	---	---	---	1	11	---	2	---	1	---	---	---	6
Chemicals and allied products.....	33	3.7	7	---	7	7	8	1	1	---	1	---	---	1	12
Rubber and leather products.....	43	4.9	8	---	7	10	6	---	---	---	---	---	6	6	3
Stone, clay, glass, and kindred products.....	42	4.8	4	---	3	18	8	---	6	---	2	1	---	---	20
Iron, steel, and nonferrous metals and their products.....	179	20.3	24	6	11	60	21	1	21	8	15	6	4	2	58
Machinery (including electrical) and transportation equipment (including automobiles).....	119	13.5	2	---	6	26	37	4	31	1	9	3	---	---	45
Miscellaneous manufacturing industries.....	18	2.1	2	---	2	6	5	---	1	---	2	---	---	---	10

¹ Series compiled by 264 of 456 national and regional trade associations in manufacturing and other producing industries known to engage in trade statistical activity. Tabulation excludes 113 miscellaneous series compiled by the same associations.

TABLE 55.—*Summary tabulation of 882 current trade statistics series by type of series and unit or mode of reporting, 1938-39*¹

Type of series	Total number of series	Number of series with specified unit or mode of reporting						Total number of associations represented
		Dollar value only	Physical unit only	Dollar value and physical unit	Index or ratio form only	Graphic form only	Unknown	
Total number of series.....	882	110	578	134	42	12	6	264
Percent of total.....	100.0	12.5	65.5	15.2	4.8	1.3	0.7	X
Production.....	117	—	103	3	7	—	2	79
Machine activity.....	13	—	12	—	1	2	—	10
Stocks.....	94	1	88	2	2	—	—	71
Shipments.....	255	34	148	57	11	4	1	172
Sales.....	135	42	43	42	5	3	—	91
Returns.....	8	2	3	2	1	—	—	6
New orders.....	119	19	68	22	6	2	2	83
Net orders.....	14	1	9	2	2	—	—	11
Unfilled orders.....	78	5	65	3	4	1	—	69
Cancellations.....	17	5	8	1	3	—	—	15
Raw-material stocks.....	16	1	15	—	—	—	—	10
Raw-material consumption.....	16	—	16	—	—	—	—	10

¹ Series compiled by 264 of 456 national and regional trade associations in manufacturing and other producing industries known to engage in trade statistical activity. Tabulation excludes 113 miscellaneous series compiled by the same associations.

TABLE 56.—*Summary tabulation of 882 current trade statistics series by type of series and frequency of release, 1938-39*¹

Type of series	Total number of series	Number of series with specified frequency of release									Total number of associations represented
		Daily	Weekly	Semi-monthly	Monthly	Quarterly	Semi-annually	Annually	Other	Unknown	
Total number of series.....	882	6	170	12	550	52	17	33	3	9	264
Percent of total.....	100.0	0.7	19.3	1.4	65.8	5.9	1.9	3.7	0.3	1.0	X
Production.....	117	—	27	1	² 59	³ 7	6	⁴ 15	1	1	79
Machine activity.....	13	—	5	—	5	1	1	1	—	—	10
Stocks.....	94	—	19	1	62	8	2	1	—	1	71
Shipments.....	255	2	35	4	² 200	³ 6	3	⁴ 3	1	1	172
Sales.....	135	2	19	1	79	17	3	13	—	1	91
Returns.....	8	—	—	—	7	—	—	—	—	1	6
New orders.....	119	1	² 29	³ 3	¹ 79	3	1	—	1	2	83
Net orders.....	14	—	4	—	10	—	—	—	—	—	11
Unfilled orders.....	78	1	21	1	52	2	—	—	—	1	69
Cancellations.....	17	—	5	—	11	—	—	—	—	1	15
Raw-material stocks.....	16	—	3	—	8	5	—	—	—	—	10
Raw-material consumption.....	16	—	3	1	8	3	1	—	—	—	10

¹ Series compiled by 264 of 456 national and regional trade associations in manufacturing and other producing industries known to engage in trade statistical activity. Tabulation excludes 113 miscellaneous series compiled by the same associations.

² Includes 1 monthly release with weekly figures.

³ Includes 1 quarterly release with monthly figures.

⁴ Includes 2 annual releases with monthly figures.

⁵ Includes 1 weekly release with daily figures.

⁶ Includes 1 semi-monthly release with daily figures.

⁷ Includes 1 monthly release with daily figures and 1 monthly release with weekly figures.

TABLE 57.—Summary tabulation of 882 current trade statistics series by type of series and classification of data shown in release, 1938-39¹

Type of series	Product classification						
	Total number of series	Total with some product classification	Number classified by—			Total with no product classification shown	Un-known
			Size or other dimension	Class, type, or grade	Both size and class, type, or grade		
Total number of series.....	882	436	23	363	50	426	20
Production.....	117	61	4	52	5	54	2
Machine activity.....	13					13	
Stocks.....	94	58	4	46	8	32	4
Shipments.....	255	130	7	107	16	123	2
Sales.....	135	78	5	62	11	52	5
Returns.....	8	5		3	2	3	
New orders.....	119	50	3	40	7	62	7
Net orders.....	14	9		9		5	
Unfilled orders.....	78	35		34	1	43	
Cancellations.....	17	4		4		13	
Raw-material stocks.....	16	3		3		13	
Raw-material consumption.....	16	3		3		13	

Type of series	Geographic classification					Un-known
	Total with some geographic classification	Number classified by—			Total with no geographic classification shown	
		Origin	Destination	Both origin and destination		
Total number of series.....	2 3 101	51	44	1	734	47
Production.....	13	13			100	4
Machine activity.....	3	3			10	
Stocks.....	7	6	1		80	7
Shipments.....	2 35	9	21	1	212	8
Sales.....	18	7	11		103	14
Returns.....	1	1			5	2
New orders.....	14	5	9		94	11
Net orders.....					14	
Unfilled orders.....	6	4	2		71	1
Cancellations.....					17	
Raw-material stocks.....	2	2			14	
Raw-material consumption.....	2	1			14	

Type of series	Customer classification						Number of series with other classification	Total number of associations represented	
	Total with some customer classification	Number classified by—				Total with no customer classification shown			Un-known
		Industry	Function	Both industry and function	Miscellaneous customer grouping				
Total number of series.....	58	21	13	2	22	776	48	61	264
Production.....						112	5	10	79
Machine activity.....						13		4	10
Stocks.....						87	7	8	71
Shipments.....	27	8	8	1	10	220	8	9	172
Sales.....	13	2	3	1	7	107	15	15	91
Returns.....						8		1	6
New orders.....	11	7	1		3	97	11	2	83
Net orders.....	3	1			2	11			11
Unfilled orders.....	2	1	1			74	2	2	69
Cancellations.....	1	1				16			15
Raw-material stocks.....						16		7	10
Raw-material consumption.....						15		3	10

¹ Series compiled by 264 of 456 national and regional trade associations in manufacturing and other producing industries known to engage in trade statistical activity. Tabulation excludes 113 miscellaneous series compiled by the same associations.

² Includes 4 series whose type of classification was not clearly indicated.

³ Includes 1 series whose type of classification was not clearly indicated.

TABLE 58.—*Summary tabulation of 882 current trade statistics series by type of series and extent of dissemination, 1938-39*¹

Type of series	Number of series having the specified dissemination ²						
	Total number of series	Participating members only	All members of industry	Survey of Current Business and/or other Government agency	Trade and/or general press	Any-one requesting	Unknown
Total number of series -----	882	492	10	158	44	13	165
Percent of total -----	100.0	55.8	1.1	17.9	5.0	1.5	18.7
Production -----	117	43	1	28	12	1	32
Machine activity -----	13	3	1	1	1	—	7
Stocks -----	94	39	—	25	6	1	23
Shipments -----	255	172	2	26	9	7	39
Sales -----	135	73	4	24	9	1	24
Returns -----	8	7	—	1	—	—	—
New orders -----	119	72	2	22	5	2	16
Net orders -----	14	11	—	3	—	—	—
Unfilled orders -----	78	46	—	17	2	1	12
Cancellations -----	17	14	—	2	—	—	1
Raw-material stocks -----	16	6	—	3	—	—	7
Raw-material consumption -----	16	6	—	6	—	—	4

¹ Series compiled by 264 of 456 national and regional trade associations in manufacturing and other producing industries known to engage in trade statistical activity. Tabulation excludes 113 miscellaneous series compiled by the same associations.

² Each series is listed only once, classified according to the widest dissemination that it receives. The analysis was based on information from several sources: Replies, specifically mentioning trade statistics, to the item in the original questionnaire, No. 21 (a), "To what extent are the results of the work of this association available to nonmembers?"; replies to special inquiries concerning nonmember participation in the statistical work of the association; the offices of the Survey of Current Business; and in some instances the statistical releases themselves—releases designated as "Confidential" were classified as "Participating members only," unless there was definite evidence from other sources of wider dissemination.

³ Includes 5 series in the case of which it was specified that the data distributed to each member covered only the products upon which he reported or the regions in which he reported sales or shipments.

⁴ Of these series, 99 are published in whole or in part in the Survey of Current Business.

⁵ Of these series, at least 17 are published in summary form only.

TABLE 59.—*Summary tabulation of 264 trade associations by industry group and extent of dissemination received by their current trade statistics series, 1938-39*¹

Industry group	Total number of associations included in tabulation	Number of associations whose series have the specified dissemination ²						Total number of associations engaged in trade statistical activity ³
		Participating members only	All members of industry	Survey of Current Business and/or other Government agency	Trade and/or general press	Any one requesting	Unknown	
Total number of associations.....	264	174	8	32	17	8	25	456
Percent of total.....	100.0	65.9	3.0	12.1	6.5	3.0	9.5	X
Mining, quarrying, and petroleum.....	3	1	—	—	2	—	—	11
Food and kindred products.....	18	8	—	—	3	2	5	45
Textiles and apparel.....	15	11	1	—	1	1	1	38
Lumber and timber basic products.....	19	5	1	4	2	1	6	33
Furniture and finished lumber products.....	20	16	—	—	—	—	4	26
Paper and allied products.....	35	28	1	5	—	—	1	52
Printing, publishing, and allied products.....	6	1	1	1	—	1	2	9
Chemicals and allied products.....	12	7	1	4	—	—	—	23
Rubber and leather products.....	3	1	—	1	1	—	—	7
Stone, clay, glass, and kindred products.....	20	14	1	2	1	1	1	31
Iron, steel, and nonferrous metals and their products.....	58	45	1	7	2	1	2	94
Machinery (including electrical) and transportation equipment (including automobiles).....	45	29	1	7	5	—	3	68
Miscellaneous manufacturing industries.....	10	8	—	1	—	1	—	18
Construction — general and special trade contractors.....	—	—	—	—	—	—	—	1

¹ Based on an analysis of 882 series compiled by 264 of 456 national and regional trade associations in manufacturing and other producing industries known to engage in trade statistical activity.

² Each association is listed only once, classified according to the widest dissemination that any of its series receives. The analysis was based on information from several sources: Replies, specifically mentioning trade statistics, to the item in the original questionnaire, No. 21 (a). "To what extent are the results of the work of this association available to nonmembers?"; replies to special inquiries concerning nonmember participation in the statistical work of the association; the offices of the Survey of Current Business; and in some instances the statistical releases themselves—releases designated as "Confidential" were classified as "Participating members only," unless there was definite evidence from other sources of wider dissemination.

³ Taken from table 32A.

TABLE 60.—*Summary tabulation of 882 current trade statistics series by type of series and whether individual company position shown, 1938-39*¹

Individual position with respect to industry or group

Type of series	Total number of series	Total showing individual position	Individual position confidential to member	Individual position listed and identified	Individual position listed and coded ²	No comparison shown, or unknown
Total number of series.....	882	275	222	45	8	³ 607
Percent of total.....	100.0	31.2	25.2	5.1	0.9	68.8
Production.....	117	23	13	9	1	94
Machine activity.....	13	3	1	1	1	10
Stocks.....	94	17	10	7	—	77
Shipments.....	255	105	95	8	2	150
Sales.....	135	43	34	6	3	92
Returns.....	8	3	3	—	—	5
New orders.....	119	40	35	4	1	79
Net orders.....	14	8	7	1	—	6
Unfilled orders.....	78	23	18	5	—	55
Cancellations.....	17	3	3	—	—	14
Raw-material stocks.....	16	3	1	2	—	13
Raw-material consumption.....	16	4	2	2	—	12

Individual position with respect to own past

Total number of series.....	882	19	9	5	5	³ 863
Percent of total.....	100.0	2.2	1.0	0.6	0.6	97.8
Production.....	117	3	2	1	—	114
Machine activity.....	13	1	—	—	1	12
Stocks.....	94	1	1	—	—	93
Shipments.....	255	8	4	1	3	247
Sales.....	135	3	—	3	—	132
Returns.....	8	—	—	—	—	8
New orders.....	11	2	2	—	—	117
Net orders.....	1	1	—	—	1	13
Unfilled orders.....	78	—	—	—	—	78
Cancellations.....	17	—	—	—	—	17
Raw-material stocks.....	16	—	—	—	—	16
Raw-material consumption.....	16	—	—	—	—	16

¹ Series compiled by 264 of 456 national and regional trade associations in manufacturing and other producing industries known to engage in trade statistical activity. Tabulation excludes 113 miscellaneous series compiled by the same associations.

² Or without apparent means of identification.

³ Includes 47 series for which no release was available.

TABLE 61.—*Summary tabulation of 264 trade associations by industry group and whether individual company position shown in statistical release, 1938-39*¹

Industry group	Total number of associations included in tabulation	Associations whose releases show individual position	Associations whose releases do not show individual position	Associations for which no release was available	Total number of associations engaged in trade statistical activity ²
Total number of associations.....	264	120	138	8	456
Mining, quarrying, and petroleum.....	3	1	2	—	11
Food and kindred products.....	18	4	14	—	45
Textiles and apparel.....	15	4	11	—	38
Lumber and timber basic products.....	19	6	13	—	33
Furniture and finished lumber products.....	20	15	4	1	26
Paper and allied products.....	35	18	14	3	52
Printing, publishing, and allied industries.....	6	5	1	—	9
Chemicals and allied products.....	12	2	9	1	23
Rubber and leather products.....	3	—	3	—	7
Stone, clay, glass, and kindred products.....	20	10	9	1	31
Iron, steel, and nonferrous metals and their products.....	58	29	28	1	94
Machinery (including electrical) and transportation equipment (including automobiles).....	45	20	24	1	68
Miscellaneous manufacturing industries.....	10	6	4	—	18
Construction—general and special trade contractors.....	—	—	—	—	1

¹ Based on an analysis of 882 series compiled by 264 of 456 national and regional trade associations in manufacturing and other producing industries known to engage in trade statistical activity.

² Taken from table 32A.

EXHIBIT I.—*Number of national and regional trade associations included and not included in the present survey, classified according to geographic scope and industry group*¹

Industry group ²	Estimated total number of associations ³			Number of associations included in the survey			Estimated number of associations not included in the survey ⁴		
	Total	National in scope	Regional in scope	Total	National in scope	Regional in scope	Total	National in scope	Regional in scope
All associations.....	1,505	1,023	482	1,311	898	413	194	125	69
Fishery.....	9	3	6	7	2	5	2	1	1
Mining, manufacturing, and construction.....	934	703	231	858	648	210	76	55	21
Coal mining.....	6	3	3	6	3	3			
Mining (other than coal) and quarrying.....	11	9	2	11	9	2			
Petroleum production and refining and natural gas production.....	11	7	4	11	7	4			
Food and kindred products.....	123	67	56	106	59	47	17	8	9
Textile mill products.....	55	45	10	50	40	10	5	5	
Apparel and other finished products made from fabrics and similar materials.....	70	29	41	55	17	38	15	12	3
Lumber and timber basic products.....	41	20	21	39	19	20	2	1	1
Furniture and finished lumber products.....	41	30	11	37	26	11	4	4	
Paper and allied products.....	64	47	17	62	46	16	2	1	1
Printing, publishing, and allied industries.....	52	37	15	45	33	12	7	4	3
Chemicals and allied products.....	54	49	5	52	48	4	2	1	1
Rubber and leather products.....	15	12	3	14	11	3	1	1	
Stone, clay, glass, and kindred products.....	58	44	14	57	44	13	1		1
Iron and steel and their products.....	105	98	7	103	97	6	2	1	1
Transportation equipment (except automobiles).....	17	15	2	17	15	2			
Nonferrous metals and their products.....	31	27	4	29	25	4	2	2	
Electrical apparatus and supplies.....	15	14	1	14	13	1	1	1	
Machinery (except electrical).....	78	73	5	73	68	5	5	5	
Automobiles and automobile equipment.....	8	8		7	7		1	1	
Miscellaneous manufacturing industries.....	62	55	7	53	47	6	9	8	1
Construction—general and special trade contractors.....	17	14	3	17	14	3			
Wholesale trade.....	172	99	73	147	81	66	25	18	7
Dry goods and apparel.....	16	12	4	12	8	4	4	4	
Groceries, beverages, tobacco, and food specialties.....	34	25	9	25	18	7	9	7	2
Farm products—raw materials.....	23	10	13	20	9	11	3	1	2
Lumber and construction materials, including plumbing and heating.....	19	6	13	18	5	13	1	1	
Machinery, equipment, and supplies, including hardware and electrical products.....	17	9	8	16	9	7	1		1
Miscellaneous wholesale trades.....	63	37	26	56	32	24	7	5	2
Retail trade.....	99	54	45	85	45	40	14	9	5
Food and liquor.....	18	13	5	15	11	4	3	2	1
Apparel and general merchandise.....	15	11	4	14	10	4	1	1	
Drug stores.....	5	3	2	4	3	1	1		1
Lumber and building materials, including hardware.....	21	3	18	20	3	17	1		1
Automotive dealers and filling stations.....	5	4	1	4	3	1	1	1	
Miscellaneous retail trades.....	35	20	15	28	15	13	7	5	2
Finance and real estate.....	29	18	11	23	17	6	6	1	5

See footnotes at end of table.

EXHIBIT 1.—*Number of national and regional trade associations included and not included in the present survey, classified according to geographic scope and industry group*¹—Continued

Industry group	Estimated total number of associations			Number of associations included in the survey			Estimated number of associations not included in the survey		
	Total	National in scope	Regional in scope	Total	National in scope	Regional in scope	Total	National in scope	Regional in scope
Insurance.....	101	65	36	67	43	24	34	22	12
Life insurance carriers.....	8	8	-----	8	8	-----	-----	-----	-----
Fire and marine insurance carriers.....	45	22	23	30	15	15	15	7	8
Casualty, fidelity, and surety insurance carriers.....	10	10	-----	7	7	-----	3	3	-----
General and miscellaneous insurance carriers.....	29	18	11	19	10	9	10	8	2
Insurance agents, brokers, and service.....	9	7	2	3	3	-----	6	4	2
Transportation, communication, and other public utilities.....	83	35	48	69	27	42	14	8	6
Transportation.....	61	24	37	47	16	31	14	8	6
Warehousing and storage.....	10	5	5	10	5	5	-----	-----	-----
Heat, light, power, and communication.....	12	6	6	12	6	6	-----	-----	-----
Personal, business, and recreational services.....	78	46	32	55	35	20	23	11	12
Personal services, including hotels.....	26	12	14	19	11	8	7	1	6
Business services not elsewhere classified.....	16	14	2	11	9	2	5	5	-----
Motion picture production and distribution, amusements, and related services.....	23	9	14	14	6	8	9	3	6
Miscellaneous services.....	13	11	2	11	9	2	2	2	-----

¹ This table is based on a count of national and regional trade associations that were active in June 1938.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code see appendix C of this report.

³ This number represents an estimate, inasmuch as there probably are some national and regional associations whose existence escaped notice. On the other hand, there probably are included in this count some associations that are inactive, are State or local in scope, were organized after June 1938 or, indeed, are not properly classified as "trade" associations. It was not possible to canvass those associations whose names were discovered during the later stages of the survey.

EXHIBIT II.—Number of national and regional trade associations whose headquarters are located in the various States and cities of over 100,000 population, 1938-39¹

All associations.....	1,311	Massachusetts—Continued.	
Alabama.....	3	Lynn.....	2
Birmingham.....	2	New Bedford.....	1
Balance of State.....	1	Somerville.....	1
Arizona.....	1	Springfield.....	1
Arkansas.....	2	Worcester.....	6
California.....	42	Balance of State.....	2
Long Beach.....	1	Michigan.....	22
Los Angeles.....	7	Detroit.....	14
Oakland.....	1	Flint.....	1
San Diego.....	30	Grand Rapids.....	7
San Francisco.....	3	Balance of State.....	15
Balance of State.....	11	Minnesota.....	11
Colorado.....	9	Duluth.....	2
Denver.....	2	Minneapolis.....	2
Balance of State.....	13	St. Paul.....	2
Connecticut.....	13	Balance of State.....	2
Bridgeport.....	4	Mississippi.....	21
Hartford.....	9	Missouri.....	6
New Haven.....	1	Kansas City.....	14
Balance of State.....	86	St. Louis.....	1
Delaware: Wilmington.....	2	Balance of State.....	1
District of Columbia: Wash- ington.....	2	Montana.....	2
Florida.....	2	Nebraska: Omaha.....	2
Jacksonville.....	2	Nevada.....	2
Miami.....	10	New Hampshire.....	10
Tampa.....	14	New Jersey.....	1
Georgia.....	11	Camden.....	2
Atlanta.....	3	Elizabeth.....	1
Balance of State.....	1	Jersey City.....	2
Idaho.....	216	Newark.....	2
Illinois.....	205	Paterson.....	1
Chicago.....	1	Trenton.....	4
Peoria.....	10	Balance of State.....	1
Balance of State.....	13	New Mexico.....	499
Indiana.....	9	New York.....	2
Evansville.....	1	Albany.....	2
Fort Wayne.....	8	Buffalo.....	482
Gary.....	4	New York City.....	5
Indianapolis.....	9	Rochester.....	1
South Bend.....	3	Syracuse.....	1
Balance of State.....	6	Utica.....	9
Iowa.....	9	Yonkers.....	10
Des Moines.....	3	Balance of State.....	70
Balance of State.....	2	North Carolina.....	12
Kansas.....	62	North Dakota.....	4
Kansas City.....	49	Ohio.....	3
Wichita.....	1	Akron.....	3
Kentucky: Louisville.....	10	Canton.....	3
Louisiana.....	9	Cincinnati.....	44
New Orleans.....	1	Cleveland.....	4
Balance of State.....	6	Columbus.....	3
Maine.....	2	Dayton.....	3
Maryland.....	4	Toledo.....	3
Baltimore.....	2	Youngstown.....	4
Balance of State.....	62	Balance of State.....	9
Massachusetts.....	49	Oklahoma.....	8
Boston.....	1	Oklahoma City.....	1
Cambridge.....	8	Tulsa.....	7
Fall River.....	1	Balance of State.....	8
Lowell.....	1	Oregon.....	7
		Portland.....	1
		Balance of State.....	1

¹ Based on returns from 1,311 of approximately 1,505 national and regional trade associations that were active in June 1938. The data represent the situation as of the time the schedules were returned, which in some cases was in 1938; in others in 1939. Population was based on the 1930 census.

EXHIBIT II.—*Number of national and regional trade associations whose headquarters are located in the various States and cities of over 100,000 population, 1938-39*¹—Continued

Pennsylvania.....	63	Texas—Continued.	
Erie.....		Fort Worth.....	2
Philadelphia.....	36	Houston.....	
Pittsburgh.....	20	San Antonio.....	
Reading.....	1	Utah: Salt Lake City.....	3
Scranton.....		Vermont.....	1
Balance of State.....	6	Virginia.....	6
Rhode Island.....	7	Norfolk.....	
Providence.....	5	Richmond.....	3
Balance of State.....	2	Balance of State.....	3
South Carolina.....	3	Washington.....	30
South Dakota.....		Seattle.....	19
Tennessee.....	15	Spokane.....	6
Chattanooga.....	2	Tacoma.....	4
Knoxville.....	1	Balance of State.....	1
Memphis.....	10	West Virginia.....	
Nashville.....	2	Wisconsin.....	14
Texas.....	8	Milwaukee.....	11
Dallas.....	6	Balance of State.....	3
El Paso.....		Wyoming.....	

EXHIBIT IIA.—Number of national and regional trade associations classified according to detailed industry groups and number of voting members, 1937-38¹

Industry group ²	Total number of associations in survey	Number of associations reporting specified number of voting members ³												Associations not reporting this item
		Total	Less than 10	10 to 19	20 to 49	50 to 99	100 to 249	250 to 499	500 to 999	1,000 to 1,999	2,000 to 4,999	5,000 to 9,999	10,000 to and over	
All associations.....	1,311	1,185	140	249	277	181	167	85	38	18	17	7	6	126
Fishery.....	7	6			1	2	2	1						1
Mining, manufacturing, and construction.....	858	818	133	221	104	114	80	46	14	9	6	1		40
Coal mining.....	6	5		1	2	1			1					1
Mining (other than coal) and quarrying.....	11	8	1	2	1	1	3							3
Petroleum production and refining and natural gas production.....	11	8		32	32	2		1			2			3
Food and kindred products.....	106	99	11	15	32	16	13	5	4	3				7
Dairy products.....	13	13			3	5	3	1	1					
Canning and preserving.....	19	18	2	2	10	3			1					1
Grain mill products.....	13	13		2	7		3		1					1
Confectionery and bakery products.....	16	12	1	3	3	1		2	1	1				4
Beverages.....	14	13	3	1	2	2	4			1				1
Miscellaneous food and related products.....	31	30	5	7	7	5	3	7		1				1
Textile mill products.....	50	50	11	16	9	3	4	6		1				
Cotton, woolen and worsted, silk and rayon.....	22	22	5	2	6	2	2	4		1				
Knit goods.....	6	6		1		1	2	2						
Miscellaneous textile goods.....	22	22	6	13	3									
Apparel and other finished products made from fabrics and similar materials.....	55	51	2	2	10	20	5	8	3	1				4
Men's and boys' clothing and accessories.....	13	10	1		2	4	2	1						3
Women's and children's clothing and accessories, including millinery.....	31	30	1	2	3	12	3	5	3	1				1
Miscellaneous apparel and fabricated textile products.....	11	11		5	5	4		2						
Lumber and timber basic products.....	39	37	4	8	9	6	5	3	1	1				2
Furniture and finished lumber products.....	37	35	6	16	6	2	5							2
Furniture.....	9	9	1	2	3		3							
Wooden containers.....	14	12	3	5	2	1	1							
Miscellaneous wooden products.....	14	14	2	9	1	1	1							2

¹ See footnotes at end of table.

EXHIBIT IIA.—Number of national and regional trade associations classified according to detailed industry groups and number of voting members, 1937-38—Continued

Industry group	Total number of associations in survey	Number of associations reporting specified number of voting members											Associations not reporting this item
		Total	Less than 10	10 to 19	20 to 49	50 to 99	100 to 249	250 to 499	500 to 999	1,000 to 1,999	2,000 to 4,999	5,000 to 9,999	
Mining, manufacturing, and construction—Continued													
Paper and allied products	62	62	10	24	19	5	2	2					
Pulp, paper, and paperboard mill products	21	21	3	7	7	3	1						
Converted paper products	41	41	7	17	12	2	2	1					
Printing, publishing, and allied industries	45	40	5	6	12	6	5	3	1	1	1		5
Newspaper, periodical, book, and music printing and publishing	23	19	2	2	6	4	2	2			1		4
Commercial printing and allied trades	22	21	3	4	6	2	3	1	1	1			1
Chemicals and allied products	52	51	11	11	16	7	3	2	1				1
Industrial chemicals	19	19	8	4	6	1							
Drugs, medicines, toilet preparations, insecticides, and related products	7	7			2	3	2						
General and miscellaneous chemical products	26	25	3	7	8	3	1	2	1				1
Rubber and leather products	14	14			3	2	6	3					
Stone, clay, glass, and kindred products	57	55	13	13	17	7	5						2
Glass and glass products	8	8	2		5	1							
Cement, concrete, gypsum, and plaster products	16	16	2	3	3	5	3						
Structural clay, pottery, and related products	11	10	2	4	3								
Stone, nonmetallic mineral, and related products	22	21	7	6	6	1	1						1
Iron and steel and their products	103	100	23	43	18	8	5	3					3
Blast furnaces, steel works, rolling mills, and foundry products	12	11		4	1	1	4	1					
Wire products	10	9	3	5	1								1
Cutlery, tools, and general hardware	14	14	7	4	1	1							
Heating apparatus (except electric) and plumbers' supplies	21	20	1	9	6	3		1					1
Fabricated structural steel and ornamental metal work	11	11	5	2	3								
Tinware and miscellaneous iron and steel	35	35	7	19	6	3							
Transportation equipment (except automobiles)	17	16	3	4	1	4	2	2					1
Railroad equipment	8	8	2	2		1	1	2					

See footnotes at end of table.

[illegible]

See footnotes at end of table.

EXHIBIT IIA.—Number of national and regional trade associations classified according to detailed industry groups and number of voting members, 1937-38—Continued

Industry group	Total number of associations in survey	Number of associations reporting specified number of voting members												Associations not reporting this item
		Total	Less than 10	10 to 19	20 to 49	50 to 99	100 to 249	250 to 499	500 to 999	1,000 to 1,999	2,000 to 4,999	5,000 to 9,999	10,000 and over	
Insurance.....	67	49	1	5	16	8	17	---	1	---	1	---	18	
Life insurance carriers.....	8	6	---	---	1	1	4	---	---	---	---	---	2	
Fire and marine insurance carriers.....	30	23	1	4	6	3	9	---	---	---	---	---	7	
Casualty, fidelity, and surety insurance carriers.....	7	6	---	---	4	1	1	---	---	---	---	---	1	
General and miscellaneous insurance carriers.....	19	13	---	1	5	3	3	---	1	---	---	---	6	
Insurance agents, brokers, and service.....	3	1	---	---	---	---	---	---	---	1	---	---	2	
Transportation, communication, and other public utilities.....	69	44	2	3	13	11	6	6	2	---	---	1	25	
Transportation.....	47	28	2	3	7	8	4	3	---	---	---	1	19	
Warehousing and storage.....	10	10	---	---	5	1	1	1	2	---	---	---	6	
Heat, light, power, and communication.....	12	6	---	---	1	2	1	2	---	---	---	---	---	
Personal, business, and recreational services.....	55	48	1	1	4	11	10	10	1	3	4	3	7	
Personal services, including hotels.....	19	18	---	---	---	3	2	5	---	---	3	3	1	
Business services not elsewhere classified.....	11	10	---	---	1	1	4	2	1	1	---	---	1	
Motion picture production and distribution, amusements, and related services.....	14	12	1	---	3	5	2	1	---	---	---	---	2	
Miscellaneous services.....	11	8	---	1	---	2	2	2	---	---	1	---	3	

¹ Based on returns from 1,185 of approximately 1,505 national and regional trade associations active in June 1938.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code, see appendix C of this report.

³ Only those associations which establish voting memberships on an enterprise basis are included. Number of members in some cases was reported as of the close of fiscal years ending in 1938; in others, for fiscal years ending in 1937.

EXHIBIT III.—*Number of national and regional trade associations classified according to detailed industry groups and percent of industry coverage by number of firms, 1937-38*¹

Industry group ²	Total number of associations in survey	Number of associations reporting specified percent of coverage, by number of firms ³					Associations not reporting this item
		Total	25 percent and under	26 to 50 percent	51 to 75 percent	Over 75 percent	
All associations.....	1,311	917	188	264	275	190	394
Fishery.....	7	6	2	1	2	1	1
Mining, manufacturing, and construction.....	858	674	119	192	213	150	184
Coal mining.....	6	4	2	2			2
Mining (other than coal) and quarrying.....	11	6	3		1	2	5
Petroleum production and refining and natural gas production.....	11	8	2	2	3	1	3
Food and kindred products.....	106	81	21	24	21	15	25
Dairy products.....	13	11	2	5	4		2
Canning and preserving.....	19	14	2	7	3	2	5
Grain mill products.....	13	10	4	1	3	2	3
Confectionery and bakery products.....	16	9	2	2	1	4	7
Beverages.....	14	12	5	2	3	2	2
Miscellaneous food and related products.....	31	25	6	7	7	5	6
Textile mill products.....	50	38	2	13	13	10	12
Cotton, woolen and worsted, silk and rayon.....	22	16	1	4	6	5	6
Knit goods.....	6	4		3	1		2
Miscellaneous textile goods.....	22	18	1	6	6	5	4
Apparel and other finished products made from fabrics and similar materials.....	55	37	6	11	8	12	18
Men's and boys' clothing and accessories.....	13	5	1	2		2	8
Women's and children's clothing and accessories, including millinery.....	31	22	2	6	5	9	9
Miscellaneous apparel and fabricated textile products.....	11	10	3	3	3	1	1
Lumber and timber basic products.....	39	30	14	8	7	1	9
Furniture and finished lumber products.....	37	35	9	11	10	5	2
Furniture.....	9	8	3	2	3		1
Wooden containers.....	14	13	2	3	5	3	1
Miscellaneous wooden products.....	14	14	4	6	2	2	
Paper and allied products.....	62	57		18	24	15	5
Pulp, paper, and paperboard mill products.....	21	19		2	8	9	2
Converted paper products.....	41	38		16	16	6	3
Printing, publishing, and allied industries.....	45	35	7	14	10	4	10
Newspaper, periodical, book, and music printing and publishing.....	23	16	4	5	5	2	7
Commercial printing and allied trades.....	22	19	3	9	5	2	3
Chemicals and allied products.....	52	36	7	10	14	5	16
Industrial chemicals.....	19	15	1	5	5	4	4
Drugs, medicines, toilet preparations, insecticides, and related products.....	7	6	4		2		1
General and miscellaneous chemical products.....	26	15	2	5	7	1	11
Rubber and leather products.....	14	10	1	5	3	1	4
Stone, clay, glass, and kindred products.....	57	42	7	8	18	9	15

See footnotes at end of table.

EXHIBIT III.—*Number of national and regional trade associations classified according to detailed industry groups and percent of industry coverage by number of firms, 1937-38*¹—Continued

Industry group	Total number of associations in survey	Number of associations reporting specified percent of coverage, by number of firms					Associations not reporting this item
		Total	25 percent and under	26 to 50 percent	51 to 75 percent	Over 75 percent	
Mining, manufacturing, and construction—Continued.							
Glass and glass products.....	8	5	1	1	2	1	3
Cement, concrete, gypsum, and plaster products.....	16	12	4	2	3	3	1
Structural clay, pottery, and related products.....	11	7	1	1	4	1	1
Stone, nonmetallic mineral, and related products.....	22	18	1	4	9	4	4
Iron and steel and their products.....	103	90	9	24	28	29	13
Blast furnaces, steel works, rolling mills, and foundry products.....	12	9	1	1	3	4	3
Wire products.....	10	9	-----	3	3	3	1
Cutlery, tools, and general hardware.....	14	11	-----	6	3	2	3
Heating apparatus (except electric) and plumbers' supplies.....	21	18	4	3	3	8	3
Fabricated structural steel and ornamental metal work.....	11	11	1	5	3	2	-----
Tinware and miscellaneous iron and steel.....	35	32	3	6	13	10	3
Transportation equipment (except automobiles).....	17	9	1	-----	3	5	8
Railroad equipment.....	8	4	-----	-----	3	1	4
Miscellaneous transportation equipment.....	9	5	1	-----	-----	4	4
Nonferrous metals and their products.....	29	25	3	6	11	5	4
Aluminum, zinc, lead, and copper mining, smelting, refining, and basic-product fabrication.....	10	8	2	2	3	1	2
Miscellaneous nonferrous metal products.....	19	17	1	4	8	4	2
Electric apparatus and supplies.....	14	11	-----	5	4	2	3
Machinery (except electrical).....	73	62	8	18	22	14	11
Special industrial machinery.....	36	33	3	12	12	6	3
General industrial machinery.....	29	25	3	6	10	6	4
Store, office, household, and service-industry machinery.....	8	4	2	-----	-----	2	4
Automobiles and automobile equipment.....	7	7	2	3	2	-----	-----
Miscellaneous manufacturing industries.....	53	38	7	8	9	14	15
Professional and scientific instruments, equipment, and supplies.....	10	5	1	2	1	1	5
Toys and sporting and athletic goods.....	6	5	-----	2	1	2	1
Other industries.....	37	28	6	4	7	11	9
Construction—general and special trade contractors.....	17	13	8	2	2	1	4
Wholesale trade.....	147	88	15	20	34	19	59
Dry goods and apparel.....	12	8	2	2	3	1	4
Groceries, beverages, tobacco, and food specialties.....	25	14	5	2	5	2	11
Farm products—raw materials.....	20	14	1	1	6	6	6
Lumber and construction materials, including plumbing and heating.....	18	12	1	2	7	2	6
Machinery, equipment, and supplies, including hardware and electrical products.....	16	13	2	4	6	1	3
Miscellaneous wholesale trades.....	56	27	4	9	7	7	29

See footnotes at end of table.

EXHIBIT III.—*Number of national and regional trade associations classified according to detailed industry groups and percent of industry coverage by number of firms, 1937-38*¹—Continued

Industry group	Total number of associations in survey	Number of associations reporting specified percent of coverage, by number of firms					Associations not reporting this item
		Total	25 percent and under	26 to 50 percent	51 to 75 percent	Over 75 percent	
Retail trade.....	85	63	24	23	14	2	22
Food and liquor.....	15	8	5	1	1	1	7
Apparel and general merchandise.....	14	11	7	3	1	—	3
Drug stores.....	4	2	—	1	1	—	2
Lumber and building materials, including hardware.....	20	17	2	6	9	—	3
Automotive dealers and filling stations.....	4	3	2	1	—	—	1
Miscellaneous retail trades.....	28	22	8	11	2	1	6
Finance and real estate.....	23	13	4	1	3	5	10
Insurance.....	67	17	6	7	2	2	50
Life insurance carriers.....	8	3	1	2	—	—	5
Fire and marine insurance carriers.....	30	7	1	3	1	2	23
Casualty, fidelity, and surety insurance carriers.....	7	4	2	1	1	—	3
General and miscellaneous insurance carriers.....	19	1	—	1	—	—	18
Insurance agents, brokers, and service.....	3	2	2	—	—	—	1
Transportation, communication, and other public utilities.....	69	23	3	8	6	6	46
Transportation.....	47	13	2	5	2	4	34
Warehousing and storage.....	10	5	—	2	2	1	5
Heat, light, power, and communication.....	12	5	1	1	2	1	7
Personal, business, and recreational services.....	55	33	15	12	1	5	22
Personal services, including hotels.....	19	13	7	5	—	1	6
Business services not elsewhere classified.....	11	8	3	3	—	2	3
Motion picture production and distribution, amusements, and related services.....	14	9	2	4	1	2	5
Miscellaneous services.....	11	3	3	—	—	—	8

¹ Based on returns from 917 of approximately 1,505 national and regional trade associations active in June 1938. The data reflect the situation in the case of some associations in 1938; in others in 1937.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code, see appendix C of this report.

³ It should be clear that the percentages of coverage reported are in terms of the industry and area defined by the association for voting-membership purposes, not of the industrial classifications set forth in this table.

EXHIBIT IV.—*Number of national and regional trade associations classified according to detailed industry groups and percent of industry coverage by volume of business, 1937-38*¹

Industry group ²	Total number of associations in survey	Number of associations reporting specified percent of coverage by volume of business ³					Associations not reporting this item
		Total	25 percent and under	26 to 50 percent	51 to 75 percent	Over 75 percent	
All associations.....	1,311	895	34	111	315	435	416
Fishery.....	7	6	-----	2	1	3	1
Mining, manufacturing, and construction.....	858	671	16	75	228	352	187
Coal mining.....	6	3	-----	-----	3	-----	3
Mining (other than coal) and quarrying.....	11	7	1	-----	2	4	4
Petroleum production and refining and natural gas production.....	11	9	-----	3	4	2	2
Food and kindred products.....	106	83	4	7	39	33	23
Dairy products.....	13	10	-----	1	6	3	3
Canning and preserving.....	19	15	-----	1	7	7	4
Grain mill products.....	13	11	1	1	5	4	2
Confectionery and bakery products.....	16	11	-----	1	3	7	5
Beverages.....	14	11	2	1	5	3	3
Miscellaneous food and related products.....	31	25	1	2	13	9	6
Textile mill products.....	50	37	1	2	14	20	13
Cotton, woolen and worsted, silk and rayon.....	22	14	-----	1	5	8	8
Knit goods.....	6	4	-----	-----	3	1	2
Miscellaneous textile goods.....	22	19	1	1	6	11	3
Apparel and other finished products made from fabrics and similar materials.....	55	35	1	7	8	19	20
Men's and boys' clothing and accessories.....	13	6	-----	1	2	3	7
Women's and children's clothing and accessories, including millinery.....	31	22	1	5	4	12	9
Miscellaneous apparel and fabricated textile products.....	11	7	-----	1	2	4	4
Lumber and timber basic products.....	39	29	1	9	11	8	10
Furniture and finished lumber products.....	37	35	1	5	12	17	2
Furniture.....	9	8	-----	2	1	5	1
Wooden containers.....	14	13	1	1	4	7	1
Miscellaneous wooden products.....	14	14	-----	2	7	5	-----
Paper and allied products.....	62	58	-----	3	21	34	4
Pulp, paper, and paperboard mill products.....	21	19	-----	1	4	14	2
Converted paper products.....	41	39	-----	2	17	20	2
Printing, publishing, and allied industries.....	45	32	1	6	14	11	13
Newspaper, periodical, book, and music printing and publishing.....	23	12	-----	3	7	2	11
Commercial printing and allied trades.....	22	20	1	3	7	9	2
Chemicals and allied products.....	52	36	-----	1	10	25	16
Industrial chemicals.....	19	14	-----	-----	5	9	5
Drugs, medicines, toilet preparations, insecticides, and related products.....	7	5	-----	-----	-----	5	2
General and miscellaneous chemical products.....	26	17	-----	1	5	11	9
Rubber and leather products.....	14	11	-----	2	3	6	3
Stone, clay, glass, and kindred products.....	57	45	1	7	14	23	12

See footnotes at end of table.

EXHIBIT IV.—Number of national and regional trade associations classified according to detailed industry groups and percent of industry coverage by volume of business, 1937-38¹—Continued

Industry group	Total number of associations in survey	Number of associations reporting specified percent of coverage, by number of firms					Associations not reporting this item
		Total	25 percent and under	26 to 50 percent	51 to 75 percent	Over 75 percent	
Mining, manufacturing, and construction—Continued.							
Glass and glass products.....	8	5	1	1	1	2	3
Cement, concrete, gypsum, and plaster products.....	16	13	-----	2	4	7	3
Structural clay, pottery, and related products.....	11	7	-----	2	4	1	4
Stone, nonmetallic mineral, and related products.....	22	20	-----	2	5	13	2
Iron and steel and their products.....	103	89	-----	10	20	59	14
Blast furnaces, steel works, rolling mills, and foundry products.....	12	8	-----	-----	1	7	4
Wire products.....	10	9	-----	1	1	7	1
Cutlery, tools, and general hardware.....	14	11	-----	2	3	6	3
Heating apparatus (except electric) and plumbers' supplies.....	21	19	-----	2	5	12	2
Fabricated structural steel and ornamental metal work.....	11	11	-----	1	1	9	-----
Tinware and miscellaneous iron and steel.....	35	31	-----	4	2	18	4
Transportation equipment (except automobiles)	17	8	-----	-----	2	6	9
Railroad equipment.....	8	4	-----	-----	2	2	4
Miscellaneous transportation equipment.....	9	4	-----	-----	-----	4	5
Nonferrous metals and their products.....	29	24	-----	1	9	14	5
Aluminum, zinc, lead, and copper mining, smelting, refining, and basic-product fabrication.....	10	8	-----	1	1	6	2
Miscellaneous nonferrous metal products.....	19	16	-----	-----	8	8	3
Electric apparatus and supplies.....	14	11	-----	-----	5	6	3
Machinery (except electrical).....	73	60	-----	6	14	40	13
Special industrial machinery.....	36	32	-----	4	5	23	4
General industrial machinery.....	29	25	-----	2	9	14	4
Store, office, household, and service industry machinery.....	8	3	-----	-----	-----	3	5
Automobiles and automobile equipment.....	7	7	-----	1	2	-----	-----
Miscellaneous manufacturing industries.....	53	39	4	4	12	19	14
Professional and scientific instruments, equipment, and supplies.....	10	6	1	-----	2	3	4
Toys and sporting and athletic goods.....	6	6	-----	-----	2	4	-----
Other industries.....	37	27	3	4	8	12	10
Construction—general and special trade contractors.....	17	13	1	1	9	2	4
Wholesale trade.....	147	86	4	12	32	38	61
Dry goods and apparel.....	12	7	1	1	1	4	5
Groceries, beverages, tobacco, and food specialties.....	25	16	1	-----	6	9	9
Farm products—raw materials.....	20	13	-----	2	5	6	7
Lumber and construction materials, including plumbing and heating.....	18	12	2	-----	6	4	6
Machinery, equipment, and supplies, including hardware and electrical products.....	16	11	-----	4	5	2	5
Miscellaneous wholesale trades.....	56	27	-----	5	9	13	29

See footnotes at end of table.

EXHIBIT IV.—*Number of national and regional trade associations classified according to detailed industry groups and percent of industry coverage by volume of business, 1937-38*¹—Continued

Industry group	Total number of associations in survey	Number of associations reporting specified percent of coverage, by number of firms					Associations not reporting this item
		Total	25 percent and under	26 to 50 percent	51 to 75 percent	Over 75 percent	
Retail trade	85	55	9	11	23	12	30
Food and liquor.....	15	7	2	2	3		8
Apparel and general merchandise.....	14	11	3	2	3	3	3
Drug stores.....	4	2			1	1	2
Lumber and building materials, including hardware.....	20	13		3	5	5	7
Automotive dealers and filling stations.....	4	3	1		2		1
Miscellaneous retail trades.....	28	19	3	4	9	3	9
Finance and real estate.....	23	10	1		2	7	13
Insurance.....	67	16		4	6	6	51
Life insurance carriers.....	8	3		1		2	5
Fire and marine insurance carriers.....	30	7		1	3	3	23
Casualty, fidelity, and surety insurance carriers.....	7	4			3	1	3
General and miscellaneous insurance carriers.....	19	1		1			18
Insurance agents, brokers, and service.....	3	1		1			2
Transportation, communication, and other public utilities.....	69	24	1	1	9	13	45
Transportation.....	47	14	1	1	5	7	33
Warehousing and storage.....	10	4			2	2	6
Heat, light, power, and communication ..	12	6			2	4	6
Personal, business, and recreational services.....	55	27	3	6	14	4	28
Personal services, including hotels.....	19	10	1	4	5		9
Business services not elsewhere classified.....	11	8	1		4	3	3
Motion picture production and distribution, amusements, and related services.....	14	6		1	4	1	8
Miscellaneous services.....	11	3	1	1	1		8

¹ Based on returns from 895 of approximately 1,505 national and regional trade associations active in June 1938. The data reflect the situation in the case of some associations in 1938, in others in 1937. In most cases volume was measured in terms of production, sales, or shipments.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and Vol. II (Feb. 1, 1939). For adaptations that were made of this code, see appendix C of this report.

³ It should be clear that the percentages of coverage reported are in terms of the industry and area defined by the association for voting-membership purposes, not of the industrial classifications set forth in this table.

EXHIBIT V.—Number of national and regional trade associations classified according to detailed industry groups and size of full-time paid staff, 1937-38¹

Industry group ²	Total num-ber of associ-ations in sur-vey	Number of associations reporting specified number of paid members of staff ³											Associ-ations not re-port-ing this item
		Total	No paid staff	2 or less	3 to 5	6 to 10	11 to 25	26 to 50	51 to 75	76 to 100	101 to 200	Over 200	
All associations.....	1,311	1,204	133	578	228	113	86	35	11	7	7	6	107
Fishery.....	7	7	1	5	1	—	—	—	—	—	—	—	—
Mining, manufacturing, and construction.....	858	807	78	410	145	81	60	19	6	6	—	2	51
Coal mining.....	6	5	1	1	—	—	—	—	—	—	—	—	—
Mining (other than coal) and quarrying.....	11	11	1	4	3	2	2	1	—	1	—	—	1
Petroleum production and refining and natural gas production.....	11	11	2	2	—	2	3	1	—	—	—	—	—
Food and kindred products.....	106	99	8	53	12	9	12	3	2	—	—	—	7
Dairy products.....	13	13	—	9	1	2	1	—	—	—	—	—	—
Canning and preserving.....	19	17	2	12	1	—	—	1	1	—	—	—	2
Grain mill products.....	13	13	3	6	1	—	2	1	—	—	—	—	2
Confectionery and bakery products.....	16	14	—	9	1	2	2	—	—	—	—	—	1
Beverages.....	14	13	4	2	2	5	—	—	—	—	—	—	2
Miscellaneous food and related products.....	31	29	3	13	6	3	2	1	1	—	—	—	2
Textile mill products.....	50	48	5	26	7	4	4	1	—	1	—	—	2
Cotton, woolen and worsted, silk and rayon.....	22	21	3	9	3	2	2	1	—	1	—	—	1
Knit goods.....	6	6	1	1	1	1	2	—	—	—	—	—	—
Miscellaneous textile goods.....	22	21	1	16	3	1	—	—	—	—	—	—	1
Apparel and other finished products made from fabrics and similar materials.....	55	52	6	19	11	4	9	2	1	—	—	—	3
Men's and boys' clothing and accessories.....	13	10	2	4	3	—	1	—	—	—	—	—	3
Women's and children's clothing and accessories, including millinery.....	31	31	2	9	7	3	7	2	1	—	—	—	—
Miscellaneous apparel and fabricated textile products.....	11	11	2	6	1	1	1	—	—	—	—	—	—
Lumber and timber basic products.....	39	37	1	13	8	5	3	4	—	2	—	1	2
Furniture and finished lumber products.....	37	34	3	22	6	2	1	—	—	—	—	—	3
Furniture.....	9	9	1	5	1	2	—	—	—	—	—	—	—
Wooden containers.....	14	11	—	7	4	—	—	—	—	—	—	—	3
Miscellaneous wooden products.....	14	14	2	10	1	—	1	—	—	—	—	—	—

See footnotes at end of table

EXHIBIT V.—Number of national and regional trade associations classified according to detailed industry groups and size of full-time paid staff, 1937-38—Continued

Industry group	Total number of associations in survey	Number of associations reporting specified number of paid members of staff											Associations not reporting this item
		Total	No paid staff	2 or less	3 to 5	6 to 10	11 to 25	26 to 50	51 to 75	76 to 100	101 to 200	Over 200	
Mining, manufacturing, and construction—Continued.													
Paper and allied products.....	62	57	1	21	18	12	5					5	
Pulp, paper, and paperboard mill products.....	21	21		9	6	4	2						
Converted paper products.....	41	36	1	12	12	8	3					5	
Printing, publishing, and allied industries.....	45	42	6	18	7	8	2	1				3	
Newspaper, periodical, book, and music printing and publishing.....	23	22	5	6	4	7						1	
Commercial printing and allied trades.....	22	20	1	12	3	1	2	1				2	
Chemicals and allied products.....	52	47	4	26	11	2	2	2				5	
Industrial chemicals.....	19	18	1	11	5	1						1	
Drugs, medicines, toilet preparations, insecticides, and related products.....	7	7		3	2	1	1						
General and miscellaneous chemical products.....	26	22	3	12	4			2				4	
Rubber and leather products.....	14	14		5	4	3	2						
Stone, clay, glass, and kindred products.....	57	54	6	26	11	4	6				1	3	
Glass and glass products.....	8	8		6	1		1						
Cement, concrete, gypsum, and plaster products.....	16	15	3	5	3	1	2	1			1	1	
Structural clay, pottery, and related products.....	11	11	1	4	2	2	2						
Stone, nonmetallic mineral, and related products.....	22	20	2	11	5	1	1					2	
Iron and steel and their products.....	103	98	7	57	22	7	2	2	1			5	
Blast-furnaces, steel works, rolling mills, and foundry products.....	12	11	1	2	2	4	1	1				1	
Wire products.....	10	10		6	4								
Cutlery, tools, and general hardware.....	14	14	2	12									
Heating apparatus (except electric) and plumbers' supplies.....	21	19	1	12	5		1					2	
Fabricated structural steel and ornamental metal work.....	11	9		6	1	1		1				2	
Tinware and miscellaneous iron and steel.....	35	35	3	19	10	2							
Transportation equipment (except automobiles).....	17	16	7	3	2	3	1					1	

See footnotes at end of table.

Railroad equipment.....	8	7	3	3	1	1	1	1	1	1
Miscellaneous transportation equipment.....	9	9	4	4	2	2	2	2	2	2
Nonferrous metals and their products.....	29	29	1	17	6	3	1	1	1	1
Aluminum, zinc, lead, and copper mining, smelting, refining, and basic-product fabrication.....	10	10		4	2	3	1			
Miscellaneous nonferrous metal products.....	19	19	1	13	4			1		
Electrical apparatus and supplies.....	14	11		6	3			1		3
Machinery (except electrical).....	73	71	10	49	7	3	1	1		2
Special industrial machinery.....	36	35	5	24	2	3	1			1
General industrial machinery.....	29	28	4	18	5			1		1
Store, office, household, and service industry machinery.....	8	8	1	7						
Automobiles and automobile equipment.....	7	7		2		1	2	1	1	
Miscellaneous manufacturing industries.....	53	48	8	31	4	5				5
Professional and scientific instruments, equipment, and supplies.....	10	8	1	3	1	3				2
Toys and sporting and athletic goods.....	6	6	1	4		1				3
Other industries.....	37	34	6	24	3	1				1
Construction, general and special trade contractors.....	17	16	1	9	3	2	1			1
Wholesale trade.....	147	140	22	71	33	10	3	1		7
Dry goods and apparel.....	12	11	2	4	4	4				1
Groceries, beverages, tobacco, and food specialties.....	25	25	4	11	7	3				1
Farm products—raw materials.....	20	19	4	10	3		1	1		1
Lumber and construction materials, including plumbing and heating.....	18	18	1	9	6	1				
Machinery, equipment, and supplies, including hardware and electrical products.....	16	16	1	9	4	1	1			
Miscellaneous wholesale trades.....	56	51	10	28	9	4				5
Retail trade.....	85	82	11	35	21	9	3	3		3
Food and liquor.....	15	15	2	8	1	3	1			
Apparel and general merchandise.....	14	14	2	4	5	2		1		
Drug stores.....	4	4		1	2	1				
Lumber and building materials, including hardware.....	20	18	3	6	5	2	1	1		2
Automotive dealers and filling stations.....	4	4		1	2	1		1		
Miscellaneous retail trades.....	28	27	4	15	6	1	1			1
Finance and real estate.....	23	23	5	4	7	3	1	2		
Insurance.....	67	47	4	11	4	5	8	7	2	20

See footnotes at end of table.

EXHIBIT V.—*Number of national and regional trade associations classified according to detailed industry groups and size of full-time paid staff, 1937-38—Continued*

Industry group	Total number of associations surveyed	Number of associations reporting specified number of paid members of staff										Associations not reporting this item
		Total paid staff	No paid staff	2 or less	3 to 5	6 to 10	11 to 25	26 to 50	51 to 75	76 to 100	101 to 200	Over 200
Insurance—Continued.	Life insurance carriers.....	8	6	1	—	2	1	1	1	—	—	2
	Fire and marine insurance carriers.....	30	21	3	2	1	2	5	1	—	2	3
	Casualty, fidelity, and surety insurance carriers.....	7	5	—	1	—	2	1	—	—	1	2
	General and miscellaneous insurance carriers.....	19	13	6	1	2	2	2	—	—	—	6
	Insurance agents, brokers, and service.....	3	2	1	—	—	1	—	—	—	—	1
Transportation, communication, and other public utilities.	Transportation.....	69	45	3	18	11	2	3	2	3	2	1
	Warehousing and storage.....	47	24	2	8	4	2	2	2	—	1	1
	Heat, light, power, and communication.....	10	9	6	3	—	—	—	—	—	—	—
Personal, business, and recreational services.	Personal, business, and recreational services.....	12	12	1	4	4	1	—	—	—	—	—
	Personal services, including hotels.....	55	53	9	24	6	3	8	1	—	2	—
	Business services not elsewhere classified.....	19	18	4	7	2	2	2	1	—	—	—
	Motion picture production and distribution, amusements, and related services.....	11	11	5	2	1	3	—	—	—	—	—
	Miscellaneous services.....	14	14	4	6	2	1	1	—	—	1	—
		11	10	6	1	—	2	—	—	—	1	—

¹ Based on returns from 1,204 of approximately 1,505 national and regional trade associations in June 1938. Size of staff was reported as of the close of the fiscal year ending in some cases in 1938, in others in 1937.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code, see appendix C of this report.

³ In cases in which part-time employees were reported or in which the staff was shared with another association the equivalent full-time staff was computed for the purpose of this tabulation.

EXHIBIT VI.—Number of national and regional trade associations classified according to detailed industry groups and annual income, 1937-38

Industry group ²	Total number of associations in survey	Number of associations reporting specified amount of income												Associations not reporting this item	
		Total	No income	Less than \$500	\$500 to \$999	\$1,000 to \$2,499	\$2,500 to \$4,999	\$5,000 to \$9,999	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$249,999	\$250,000 to \$499,999		\$500,000 and over
All associations	1,311	1,166	32	60	30	108	114	168	208	222	107	81	22	14	145
Fishery	7	7			1	1	2	1	1	1					
Mining, manufacturing, and construction	858	795	24	38	13	71	75	114	151	160	76	51	16	6	63
Coal mining	6	6				1	1		1			2	1		
Mining (other than coal) and quarrying	11	11		1		1	1	1	1	4					
Petroleum production and refining and natural gas production	11	11	1	1				1	1	2	2	1	1	1	
Food and kindred products	106	92	3	1		13	9	16	17	8	9	10	6		14
Dairy products	13	12				1	2	4	1	1	1	2			
Canning and preserving	19	16	1			3	2	3	4	1		1	1	1	3
Grain mill products	13	12	1	1		2	3	3	1	1	1	1	1	1	3
Confectionery and bakery products	16	12				2	3	4	1	1	1				4
Beverages	14	13				1			4		2	3	3	1	4
Miscellaneous food and related products	31	27	1			4	2	2	6	4	4	3	1		4
Textile mill products	50	45	3	3		5	3	3	8	12	5	3			5
Cotton, woolen and worsted, silk and rayon	22	18	3			1		1	3	6	1	3			4
Knit goods	6	6		1					2	1	2				
Miscellaneous textile goods	22	21		2		4	3	2	3	5	2				1
Apparel and other finished products made from fabrics and similar materials	55	50	2	5	2	2	4	10	6	5	9	4	1		5
Men's and boys' clothing and accessories	13	10	1	1	1			4		1	1	1			3
Women's and children's clothing and accessories, including millinery	31	30		2		1	3	5	5	3	7	3	1		1
Miscellaneous apparel and fabricated textile products	11	10	1	2	1	1	1	1	1	1	1				1
Lumber and timber basic products	39	33		1		3		5	5	6	4	4	1		6
Furniture and finished lumber products	37	36		2	1	3	5	9	7	8	1				1
Furniture	9	9					4	2		3					

See footnotes at end of table.

EXHIBIT VI.—Number of national and regional trade associations classified according to detailed industry groups and annual income, 1937-38—Continued

Industry group	Total number of associations in survey	Number of associations reporting specified amount of income													Associations not reporting this item
		Total	No income	Less than \$500	\$500 to \$999	\$1,000 to \$2,499	\$2,500 to \$4,999	\$5,000 to \$9,999	\$10,000 to \$19,999	\$20,000 to \$49,000	\$50,000 to \$99,999	\$100,000 to \$249,999	\$250,000 to \$499,999	\$500,000 and over	
Wooden containers	14	13			1					3	4			1	
Miscellaneous wooden products	14	14		2		3	1			2	4	1			
Paper and allied products	62	61	1	4	1	1	3	6	8	24	9	4			1
Pulp, paper, and paperboard mill products	21	20		2	1		1	2	3	6	3	2			1
Converted paper products	41	41	1	2		1	2	4	5	18	6	2			1
Printing, publishing, and allied industries	45	41	2	1		2	5	6	9	8	6	2			4
Newspaper, periodical, book, and music printing and publishing	23	21	1	1		1	3	3	4	4	4				2
Commercial printing and allied trades	22	20	1			1	2	3	5	4	2	2			2
Chemicals and allied products	52	47	2	1		2	6	7	10	12	2	5			5
Industrial chemicals	19	18	1	1		1	2	3	2	6	2				1
Drugs, medicines, toilet preparations, insecticides, and related products	7	6							2	2		2			1
General and miscellaneous chemical products	26	23	1			1	4	4	6	4		3			3
Rubber and leather products	14	14		2		2	6	1	3	3	1	1	1		
Stone, clay, glass, and kindred products	57	53	1	2	1	3	6	7	8	14	5	4	1	1	4
Glass and glass products	8	7				1									
Cement, concrete, gypsum, and plaster products	16	15				2	3	1	1	3	2	1	1	1	1
Structural clay, pottery, and related products	11	11	1					3	3	5	1	1	1		
Stone, nonmetallic mineral, and related products	22	20		2	1		3	5	1	4	2	2			2
Iron and steel and their products	103	98	1	2	4	6	11	14	27	21	8	3	1		5
Blast furnaces, steel works, rolling mills, and foundry products															
Wire products	12	11				1	1	3	4	5	4	1	1		1
Cutlery, tools, and general hardware	10	10				1	1	4	3	1					1
Heating apparatus (except electric) and plumbers' supplies	14	13		2	1										1
	21	19				1	4	4	4	4	2				2

See footnotes at end of table.

Fabricated structural steel and ornamental metal work.....	11 35	10 35	1					1 4	1 3	4 12	3 7	2 1	1 1	1
Tinware and miscellaneous iron and steel.....														
Transportation equipment (except automobiles).....	17	14	2	2	1			2		1	2	4		3
Railroad equipment.....	8	8	2	1				1		1	1	2		
Miscellaneous transportation equipment.....	9	6	1	1	1			1			1	2		3
Nonferrous metals and their products.....	29	29		1				5	3	5	5	2	3	
Aluminum, zinc, lead, and copper mining, smelting, refining, and basic-product fabrication.....	10	10								1	3	2	2	
Miscellaneous nonferrous metal products.....	19	19		1				5	3	4	2	3	1	
Machinery (except electrical).....	14 73	12 71	5 4	2				1 8	9	4 16	2 13	1 2	1 1	2
Special industrial machinery.....	36	35	2	2				7	3		4	2		1
General industrial machinery.....	29	28	2	2				1	4	6	7	5	1	1
Store, office, household, and service industry machines.....	8	8	1						2	1	2	2		
Automobiles and automobile equipment.....	7	7						1			1	1	1	
Miscellaneous manufacturing industries.....	53	49	1	4	1			8	2	15	6	4	4	
Professional and scientific instruments, equipment, and supplies.....	10	9		1				1		1	2	3		1
Toys and sporting and athletic goods.....	6	6		1				1			1	2		3
Other industries.....	37	34	1	2	1			6	2	12	4			
Construction—general and special trade contractors.....	17	15		1				2	1	1	3	5	1	2
Wholesale trade.....	147	135	3	9	7			12	14	27	24	10	1	12
Dry goods and apparel.....	12	9	1						1	2	2	3		3
Groceries, beverages, tobacco, and food specialties.....	25	25		1	1			4	3	6	1	6		
Farm products—raw materials.....	20	18		1	1			2	1	3	7	1	1	2
Lumber and construction materials, including plumbing and heating.....	18	17			2			1		4	5	4	1	1
Machinery, equipment, and supplies, including hardware and electrical products.....	16	16			1				3	4	3	4	1	
Miscellaneous wholesale trades.....	56	50	2	7	2			5	6	8	6	10	4	6
Retail trade.....	85	78	3	2	2			12	5	13	14	8	4	7
Food and liquor.....	15	15	1					1		4		3	4	
Apparel and general merchandise.....	14	14			1			2	1	4	3	1	1	1
Drug stores.....	4	4	1							1		1		

EXHIBIT VI.—Number of national and regional trade associations classified according to detailed industry groups and annual income, 1937-38—Continued

Industry group	Total number of associations in survey	Number of associations reporting specified amount of income													Associations not reporting this item		
		Total	No income	Less than \$500	\$500 to \$999	\$1,000 to \$2,499	\$2,500 to \$4,999	\$5,000 to \$9,999	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$249,999	\$250,000 to \$499,999	\$500,000 and over			
etail trade—Continued.																	
Lumber and building materials, including hardware	20	17			1	4		3	4	3	1	1					3
Automotive dealers and filling stations	4	4					1		1								
Miscellaneous retail trades	28	25	1	2		5	3	5	5	2	2						3
	23	22	1	3		2	1	1	1	5	3	4				1	1
Finance and real estate																	
Insurance	67	39	1	3		2	4	3	4	3	3	12	1			3	28
Life insurance carriers	8	5															
Fire and marine insurance carriers	30	16	1			1		1	3	1	2	6	1			2	3
Casualty, fidelity, and surety insurance carriers	7	4														14	14
General and miscellaneous insurance carriers	19	12	2			1	4	1	1	2	1	3				1	3
Insurance agents, brokers, and service	3	2	1									1				7	7
																1	1
Transportation, communication, and other public utilities	69	43		3	3	1	6	5	5	7	4	5	1			3	26
Transportation	47	21		2	3		3	2	1	2	1	5	1			1	26
Warehousing and storage	10	10		1		1	1	3	1	3							
Heat, light, power, and communication	12	12					2		3	2	3					2	
Personal, business, and recreational services	55	47		2	4	7	7	4	8	5	3	5	1			1	8
Personal services, including hotels	19	17		1	2	1	1	1	5	1	3	1	1				2
Business services not elsewhere classified	11	10				2	2	1	3	3		2				1	1
Motion picture production and distribution, amusements, and related services	14	12			2	4	1		2	1		1				1	2
Miscellaneous services	11	8		1			3	2	1			1					3

¹ Based on returns from 1,166 of approximately 1,505 national and regional trade associations active in June 1938. Income is for fiscal years ending in some cases in 1937, in other 1938.

² The industrial classification was based on the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (Feb. 1, 1939). For adaptations that were made of this code, see appendix C of this report.

EXHIBIT VII.—*Number of national and regional trade associations active in June 1938, classified according to annual income and year of organization*¹

Annual income	All associations	Year of organization																
		1936 to June 30, 1938	1933 to 1935	1930 to 1932	1925 to 1929	1920 to 1924	1915 to 1919	1910 to 1914	1905 to 1909	1900 to 1904	1895 to 1899	1890 to 1894	1880 to 1889	1870 to 1879	1860 to 1869	Prior to 1860		
All associations.....	1,065	43	245	76	138	89	130	87	71	62	37	32	32	14	7	2		
No income.....	30	2	13	3	4	3	2	1	2									
Under \$1,000.....	84	4	29	2	13	7	11	3	8	2		2	2		1			
\$1,000 to \$2,499.....	102	6	25	8	14	9	10	14	7	4	2	2	1					
\$2,500 to \$4,999.....	108	4	32	13	19	8	10	10	3	3	4	2						
\$5,000 to \$9,999.....	159	7	38	10	20	16	26	10	14	9	3	4	1	1				
\$10,000 to \$19,999.....	190	7	50	18	34	11	19	15	7	11	3	6	8	1				
\$20,000 to \$49,999.....	191	6	38	14	15	18	26	18	14	13	11	5	9	2	1	1		
\$50,000 to \$99,999.....	93	1	13	4	12	8	11	6	8	10	7	3	6	3	1			
\$100,000 to \$249,999.....	76	4	4	3	6	7	12	9	5	4	6	7	3	4	2			
\$250,000 to \$499,999.....	21	1	3	1		2	1	3	3	3	1		1	2	1	1		
\$500,000 and over.....	11	1			1		2			3		1	1	1	1			

¹ Based on returns from 1,065 of approximately 1,505 national and regional trade associations active in June 1938. Year of organization is the year in which the reporting association was formed, unless the association superseded or absorbed an association organized at an earlier date; in such cases the earlier date was used. Annual income was reported for fiscal years ending in some cases in 1937, in others in 1938.

APPENDIX B

SOURCES OF MATERIAL

The principal source of the data included in the present report was the return on the schedule, entitled "Trade Association Survey," which is made a part of this appendix. This questionnaire was initially mailed in September 1938 to approximately 2,300 associations deemed either national or regional in scope, of which the Trade Association Section of the Department of Commerce had a record as of 1937. During the course of the survey names of additional associations were discovered, in all the schedule being mailed to approximately 2,500 associations. Of these associations, approximately 1,505 were national and regional trade associations, as such are defined in chapter I of this report, which were active in June of 1938. The remaining associations proved to be either inactive as of June 1938, associations other than trade associations, trade associations organized after June 1938, or trade associations of intrastate scope.

In obtaining returns to this schedule, the Department of Commerce relied on the voluntary cooperation of the trade associations. As a preliminary to the mailing of the schedule, the chief of the Trade Association Section of the Department of Commerce held meetings with trade association executives in the principal centers of the country, in which the purpose and nature of the survey were developed and the cooperation of the executives solicited. At the same time, the technical details of the inquiry were explained to the staff of the various district offices of the Bureau of Foreign and Domestic Commerce, in order that these officials might be prepared to answer any inquiries concerning the interpretation of the items included in the schedule. Printed instructions covering the various items were left with these officials. To facilitate the proper completion and filing of returns, four agents of the Department of Commerce, during the period from October 1938 to February 1939, visited the executives of the majority of national and regional trade associations located in New York City, Chicago, Philadelphia, Cleveland, and Boston; and the chief of the Trade Association Section of the Department contacted trade associations located in Washington, D. C.

The staff in Washington edited every return for accuracy, consistency, and completeness. In a large majority of cases it was found necessary to write to or otherwise contact the associations concerning their replies to one or more of the items in the schedule. In all instances the constitution and bylaws and financial statements, which were requested as a part of the return, were checked against the association's replies concerning membership requirements, geographic and industrial coverage, voting privileges, income and expenses, and financial bases. Despite this follow-up the replies of many associations to one or more items remained incomplete or questionable.

This primarily accounts for the difference in the number of associations covered in the various tabulations presented in the report. It was only in the case of the activities of trade associations that the replies from all associations that returned schedules were used, and these data have certain limitations that are pointed out in chapter II of the report. Owing to the unique character of their activity, it was not possible, however, to include in the tabulations of trade association activities associations in the field of insurance.

A number of national and regional associations claimed exemption on the ground that they were not trade associations, properly considered, but associations of single or special purpose. Inasmuch, however, as any voluntary association of business enterprises engaged in a particular kind of business was considered a trade association for the purpose of the survey, it was desired to obtain returns from such groups. They therefore were asked to fill out the short-form schedule, "Single-Purpose, Technical, Scientific, or Professional Associations" (see below). Somewhat over 100 of these groups are included among the 1,311 associations covered in one or more of the tabulations in the report. As can be seen, this schedule omits several of the items, such as the proportion of the industry represented by the association, which were included in the original, long-form schedule. Tabulations based on replies to those items, therefore, omit this group of associations. The activities reported by these groups were classified according to the items set forth in the long-form schedule. Most of these associations reported that they were engaged in only one activity or a few activities; in such instances all the activities were classified as of "major" importance. Where several activities were specified, the editor in some cases, depending on the context of the reply, designated certain activities as of "minor" importance. This schedule also was sent to representative associations other than trade associations, such as associations of professional persons and security and commodity exchanges.

The material set forth in chapter I of the report covering inactive and disbanded associations was obtained from replies to the schedule, "Inactive Associations" (see below). This schedule was sent to all associations, approximately 750 in number, which according to the records of the Trade Association Section had become inactive or had disbanded since 1932. Usable returns were received from former officials of 278 of these groups.

Other than the replies to the items included in the schedules and the exhibit material—annual reports, bulletins, minutes, and proceedings of meetings, special publications, et cetera—which accompanied the returns, together with similar material contained in the files of the Trade Association Section of the Department of Commerce, a considerable part of the material incorporated in the report is based on interviews of the executive and technical staff members of some 40 trade associations in Washington, D. C., New York City, Cleveland, and Chicago. These associations were selected primarily on the basis of their known emphasis on activity in the fields of trade and price statistics or of cost accounting and cost statistics. The material in chapters III and IV covering legal proceedings against trade associations was obtained from court decisions and publications and files of the Federal Trade Commission and the Department of Justice.

UNITED STATES DEPARTMENT OF COMMERCE, BUREAU OF FOREIGN AND DOMESTIC
COMMERCE, MARKETING RESEARCH DIVISION, WASHINGTON, D. C.

TRADE ASSOCIATION SURVEY

I. Name, Location, and Affiliations of Association

1. Legal name of association _____
Headquarters office (street address) _____
(City) _____ (State) _____
2. Location of other offices:
(Street address) _____ (City) _____ (State) _____

3. (a) Is this association national in scope? _____; Interstate? _____;
State? _____; or, Local? _____
(b) If Local, accurately describe territory covered: _____

4. (a) In what year was this present association organized? _____
(b) If present association superseded or absorbed other organizations, list
them with dates: _____

5. Is this association incorporated? _____. In what state? _____
6. (a) Is this association federated, associated, or allied with any other na-
tional, regional, state, or local association? _____
(b) If "yes," list each and describe on separate sheet the nature of all such
connections.
7. Describe in detail on a separate sheet ties and affiliations of this association
which extend beyond the borders of continental United States, explaining
the nature of each relationship.
8. (a) Is this association one of several operated by or managed by the same
person or firm? _____

(b) Does the chief executive (paid) officer (or manager) of this association
also act in an executive capacity for any other association? _____
(c) Is the staff of this association—
(1) used jointly by any other association? _____
(2) sharing office space with any other association? _____
If any of the above are answered "yes," submit on separate sheet a complete
list of associations involved, including national, regional, state, and local.
9. (a) In terms of (1) nature of business (e. g., manufacturing, retailing, etc.),
(2) products, and (3) area covered, what is your definition of the
industry or group which this association represents? _____

(b) Approximately what percentage of the group described in 9 (a) does
your association represent:
(1) by number of firms:
Manufacturing _____%; Wholesaling _____%; Retail-
ing _____%;
Other (List) _____%.
(2) by industry (i. e., grocery, sporting goods, industrial equip-
ment, etc.) _____%; _____%; _____%;
_____%; _____%; _____%;
(3) by volume _____%.
(Check measure used: production (), sales (), employ-
ment (), capacity (), _____ (),
_____ (other) _____ (other).

- (c) Is the membership of this association a representative cross section of the industry or group described in the answer to question 9 (a)? Consider representativeness in terms of plant size, classes of products, and geographical location of members): ----- If answer is "No," explain.
-

10. Are there any other trade associations that cover fully or in part the same field as does this one? If so, list names and addresses of each on a separate sheet.

II. Officers and Membership

11. List on separate sheet all officers of this association as of July 1, 1938, including members of the Board of Directors, giving the following information about each individual:
- (a) office held in association. (c) company with which connected.
 (b) name of individual. (d) position in company.
 (e) for each officer and member of the executive committee, include an estimate of the number of days per year devoted directly to work of the association.
12. (a) On separate sheet indicate the degree to which the Board of Directors may be said to be representative of the membership when grouped (1) by products, (2) by different geographical areas, and (3) by size.
 (b) What is association policy relative to the rotation of members of the Board? Explain on separate sheet.
13. What proportion of your active members are:
- | | | |
|----------------------|--------------------|--------|
| Manufacturers -----% | Other (List) ----- | -----% |
| Wholesalers -----% | ----- | -----% |
| Retailers -----% | ----- | -----% |
14. Number of members at the close of each fiscal year (explain on separate sheet any unusual shifts in membership during this period):

(Fiscal years)	1929	1932	1935	193. (latest)
Regular full voting members.....	-----	-----	-----	-----
Other classes of members (describe briefly):	-----	-----	-----	-----
-----	-----	-----	-----	-----
Total members.....	-----	-----	-----	-----

15. List and explain on separate sheet any restrictions this association places on eligibility for membership.
16. What is the basis for voting in this association? Quote on separate sheet sections of Bylaws having to do with basis of member voting, including such subjects as (a) members who can and cannot vote, (b) number of votes which any one member can cast, (c) distinction between company and individual member voting rights, (d) use of proxy.
17. What percentage of total income of this association during the last completed fiscal year came from its four largest contributors? -----%.

III. Activities

18. (a) In column 2 below, indicate for every item the emphasis of this association on the activities listed, using the following symbols: (A) major activity; (B) minor activity; (C) no activity.
 (b) In columns 3, 4, and 5, indicate by an "X" the manner in which the activity is performed, whether by committee, staff, or outside agency.
 (c) Number in left-hand margin (1st, 2nd, and 3rd) the three specific activities (e. g., cooperative buying, placement service, etc.) which bulk largest in your budget.

1 Activity	2 Degree of Activity	3 By Com- mittee	4 By Staff	5 By Outside Agency
(1) Production and Purchasing:				
Standardization & simplification.....				
Establishment of quality standards.....				
Registration of patents, trademarks, designs & styles.....				
Patent cross-licensing or pooling.....				
Used machinery exchange.....				
Operations of research laboratory.....				
Other forms of technical research.....				
Cooperative buying.....				
Technical advisory services.....				
Other (List).....				
(2) Marketing:				
Cooperative selling.....				
Market research.....				
New markets for industry products.....				
Packaging and shipping.....				
Collection service.....				
Credit information service.....				
Technical merchandising advice.....				
Other (List).....				
(3) Trade Promotion:				
Public Relations.....				
Technical publications.....				
Commercial publications.....				
Foreign trade promotion.....				
Cooperative advertising.....				
Exhibitions.....				
New uses for industry products.....				
Other (List).....				
(4) Trade Practices:				
Classification of customers.....				
Classification of sales areas.....				
Trade practice conferences.....				
Standard business forms and contracts.....				
Combatting unfair competition.....				
Other (List).....				
(5) Trade Information:				
Bid filing.....				
Open price filing.....				
Freight rate books, etc.....				
Statistics:				
(a) Compilation of new material.....				
(b) Republication of other material.....				
(c) General economic conditions service.....				
Other (List).....				
(6) Employer-Employee Relations:				
Surveys, advice, and assistance relative to labor relations:				
(a) wages, hours, working conditions.....				
(b) Collective bargaining.....				
Welfare, including safety.....				
Employee training.....				
Placement service.....				
Other (List).....				
(7) Government Relations:				
Information or assistance given to gov- ernment bodies (cite examples on separate sheet).....				
Acting as industry representatives in contacting—				
(a) Legislative bodies.....				
(b) Tariffs and trade-agreements agencies.....				
(c) Taxation agencies.....				
(d) Scientific or technical agencies.....				
(e) Other executive or administra- tive agencies.....				
Reporting governmental activities.....				
Drafting and promoting model laws.....				
Other (List).....				
(8) Miscellaneous:				
Commercial arbitration.....				
Accounting: Establishment of uniform accounting.....				
Industry cost studies.....				
Conventions.....				
Insurance assistance.....				
Legal service.....				
Library service.....				
Other (List).....				

19. (a) Approximate registration at annual meetings: 1935, -----; 1936, -----; 1937, -----; 193-- (latest), -----.
- (b) Give the approximate number of other meetings of this association during the past 12 months:
- (1) Executive committee meetings-----
 - (2) Board meetings-----
 - (3) Other Committee meetings-----
 - (4) Products group meetings-----
 - (5) Regional meetings-----
 - (6) Attended by membership in general-----
20. List on separate sheet all regular and special committees of this association, explaining the duties of each.
21. (a) To what extent are results of the work of this association available to nonmembers?
-
- (b) To what extent are nonmembers otherwise permitted to participate in activities of this association? Be specific:
-

IV. Personnel

22. Number of full-time, paid members of staff, at the close of each year (fiscal years): 1929, -----; 1932, -----; 1935, -----; 193-- (latest), -----.
23. On a separate sheet provide the following information concerning the chief executive officer and concerning each employe of this association receiving \$2,400 or more per year (identification of the employe by name is not necessary):
- (a) Association title and brief description of duties.
 - (b) Approximate age.
 - (c) Nature of formal education.
 - (d) List previous positions, including type of work and length of service.
 - (e) Years of service with your association.
24. Indicate below the number of experts regularly on your staff: (Include employe shared jointly with other associations in "part-time" column.)
- | | <i>Full time</i> | <i>Part time</i> |
|--------------------|------------------|------------------|
| Accountants----- | ----- | ----- |
| Economists----- | ----- | ----- |
| Engineers----- | ----- | ----- |
| Lawyers----- | ----- | ----- |
| Statisticians----- | ----- | ----- |
| Other (List)----- | ----- | ----- |
25. List on a separate sheet all outside organizations employed by this association during the past 12 months (advertising agencies, economic consultants, lawyers, market research organizations, management firms, public relations counselors, scientific laboratories, statistical bureaus, industrial relations counselors, etc.). Give name, address, and nature of service in each case.
26. If headquarters are not in Washington, D. C., supply the following information about Washington representatives, if any:

	<i>Check</i>
Name-----	Full time-----
Office address-----	Part time-----

V. Finance

27. Financial statements. (With what month does fiscal year end? -----)

	1929	1932	1935	193... (latest)
INCOME				
Dues and assessments:				
(a) Regular members				
(b) Other members				
(c) Affiliated organizations				
Charges for special services*				
Exhibitions				
Sale of publications				
Sale of advertising space				
Sale of labels				
Other (List)				
Total income				
EXPENSES				
Wages and salaries				
Rent				
Travel				
Communications				
Payments of dues or fees to affiliated organizations				
Printing				
Other (List)				
Total expenditures				
Surplus (+) or deficit (-)				

*List special services:

28. Balance sheet (estimate if actual figures are not available) :

	1929	1932	1935	193... (latest)
Furniture, fixtures, and equipment				
Real estate				
Securities and other investments				
Other assets				
Total assets				
Total liabilities other than surplus				
Accumulated surplus				

29. Describe the present system of regular dues and assessments used for the various classes of membership; state minimum and maximum actually received for each class:

30. What special assessments were levied during the past completed fiscal year?

Date	Total amount	Purpose

VI. General Information

31. So far as possible, list and describe briefly on a separate sheet the legal experiences of this association since 1920 pertaining to Federal and state anti-trust laws, including not only formal government actions (Federal and state) but all informal investigations of and civil suits against this association.

32. The following four questions are asked with the expectation that the trade association executive will use his best personal judgment in his replies. Please reply on separate sheets, no space limits.

- (a) What do you feel have been the significant contributions of this trade association to your industry?
- (b) Under existing law, what other important contributions do you feel are possible in the future?
- (c) If there were no legal limitations or area of doubt, what additional activity or activities would you endeavor to develop with the expectation that they would significantly benefit your membership?
- (d) What activities engaged in by some associations do you feel are contrary to the public interest? (Association names unnecessary.)

33. If your industry came under or was considering a N. R. A. code, describe the part played by this association.

34. Forward the following exhibits (one set only) :

*Check Number of
Items Submitted*

- (a) Latest letterhead-----
- (b) Copy of constitution and bylaws-----
- (c) Copies of last financial statement-----
- (d) Publications distributed to members, including samples of association's mimeographed news letters, bulletins, etc-----
- (e) Copies of last 4 : annual reports, including reports of the President, Secretary, and the Treasurer-----
- (f) Proceedings of last 4 annual meetings-----
- (g) List of members-----
- (h) Any additional material which you believe would be helpful to an understanding of activities of this association -----

Signature of the chief paid executive :

Title -----
Date -----, 1938

UNITED STATES DEPARTMENT OF COMMERCE, BUREAU OF FOREIGN AND DOMESTIC
COMMERCE, MARKETING RESEARCH DIVISION, WASHINGTON, D. C.

SINGLE-PURPOSE, TECHNICAL, SCIENTIFIC, OR PROFESSIONAL ASSOCIATIONS

Name of Association-----

Address-----

1. State the year in which this association was established-----

2a. Has the present association superseded or absorbed any other associations?-----

2b. If yes, give the names of the associations which this association superseded or absorbed, together with the dates they were organized and the years in which they were absorbed or superseded.

Name of other association	Year organized	Year absorbed or superseded by present association
-----	-----	-----
-----	-----	-----
-----	-----	-----

3. What is your definition of the industry, group, or profession covered by this association in terms of:
- Nature of profession or business (for example, engineering, dentistry, manufacturing, retailing, banking, insurance)?
 - Products or services?
4. What is the geographical area covered by this association?
5. To whom is membership in this association open? (Distinguish between voting and nonvoting membership.)
6. Describe in detail on separate sheets the following:
- The circumstances that were responsible for the organization of this association.
 - The objectives of this association at the present time.
 - The activities of this association at the present time.
 - The principal accomplishments of this association.
- 7a. Is this association federated, affiliated, or allied with any other associations?
- 7b. If yes, give the names and addresses of these other associations and indicate the nature of the relationships, using a separate sheet if necessary.
8. Give the names and addresses of the principal trade associations to which members of this association commonly belong.
- 9a. At the close of the year 1937 what was:
- (1) The number of voting members of this association?
 - (2) The number of non-voting members?
 - (3) The number of full-time members of the staff of this association, including the secretary?
- 9b. What was the income of this association during the year 1937?
10. Forward one copy each of the association's:
- | | Indicate the number
of items submitted |
|--|---|
| a. Constitution and bylaws | |
| b. Current bulletin to members | |
| c. Principal publications during the years 1937 and 1938 | |
| d. Last annual report, or minutes of last meeting | |
| e. Latest letterhead | |

Signature of official filing schedule:

Title: _____
Date: _____, 1939

UNITED STATES DEPARTMENT OF COMMERCE, BUREAU OF FOREIGN AND DOMESTIC
COMMERCE, MARKETING RESEARCH DIVISION, WASHINGTON, D. C.

INACTIVE ASSOCIATIONS

- Name of Association _____
Address _____
1. State the year in which this association was established.
 2. Approximately when did this association become inactive?
 3. What is your definition of the industry or group which this association represented during its period of activity, in terms of:
 - Nature of business (for example, manufacturing, retailing, wholesaling, insurance)?
 - Products or services?

- 4a. What was the geographical area covered by this association during its period of activity?-----
- 4b. If the geographical area covered by this association *at the present time* differs from that given above, state such difference.

5. Describe in detail on separate sheets the following:
- The circumstances and the conditions in the industry that were responsible for the organization of this association.
 - The activities of this association during its period of activity.
 - The principal accomplishments of this association during its period of activity.
 - The causes of this association's becoming inactive. (In answer to this question, do *not* give lack of financial support or lack of interest as a cause. Discuss as specifically as possible the reasons underlying this lack of support or interest.)
 - The conditions that must exist within or outside the industry before this association is likely again to become active.
6. Was this association federated, affiliated, or allied with any other associations during its period of activity?----- If yes, give the names of these other associations-----
7. Are there any other associations that now cover fully or partly the same industrial field as does this association?----- If yes, list their names and addresses on a separate sheet.
8. What was the month and year of the last:
- Meeting of the members of this association?-----
 - Committee meeting?-----
 - Time any association business was transacted?-----
State the nature of such business-----
9. During which year was this association most active?-----
10. During the year indicated in #9, approximately what was:
- The number of voting members of this association?-----
 - The number of full-time members of the staff of this association, including the secretary?-----
 - The income of this association?-----
11. Was the group covered by your association under an N. R. A. code?-----
If yes, give the name of the code-----
12. Forward one copy each of the association's:
- Constitution and bylaws.
 - Current bulletin during the year of greatest activity.
 - Principal publication during the year of greatest activity.
 - Last annual report, or minutes of last meeting.
 - Latest letterhead.

Signature of official filing schedule:

Office held:-----
Date:-----, 1939

APPENDIX C

INDUSTRIAL CLASSIFICATION OF TRADE ASSOCIATIONS

The industrial classification of trade associations which appears in various tables throughout this report follows the principles set forth in the Central Statistical Board, Standard Industrial Classification Code, vol. I (May 10, 1938) and vol. II (February 1, 1939). Two industrial groupings of trade associations were employed in the report, one a primary, 2-digit grouping and the other a secondary, or 3-digit grouping. The principal difficulty encountered in using this system of classification arose from the fact that it was established for the purpose of classifying individual firms rather than groups of firms. It was necessary in those cases in which the industry as defined by the association covered more than one 3-digit group to introduce a new classification using the zero, third digit. Thus, group 23001 was set up to describe associations that covered products falling in both the 231 and 232 groups. It was necessary in few instances to combine 2-digit groups, such combinations when made being largely dictated by the fewness of associations falling in a 2-digit group. Associations covering distribution as well as producing functions were classified according to the function which was most fully represented by the association, unless it was clear that the association primarily concerned itself with the problems of members in one of the other functions.

The following list shows the primary and secondary industrial classes of associations and the Central Statistical Board code numbers of the product groups included in each class, together with the combination 3-digit groups which it was found necessary to establish:

A. Fishery (08).

B. Mining, manufacturing, and construction:

Coal mining (11, 12).

Mining (other than coal) and quarrying (10, 14).¹

Petroleum production and refining and natural gas production (13, 29—except 295)²

Food and kindred products (20, 21):

Dairy products (202).

Canning and preserving (203).

Grain mill products (204).

Confectionery and bakery products (205, 207).

Beverages (208).

Miscellaneous food and related products (20001, 201, 206, 209, 21).

Textile mill products (22):

Cotton, woolen and worsted, silk and rayon, manufactures (221, 222, 223, 224, 226, 22003, 22004).

Knit goods (225).

Miscellaneous textile goods (22001, 22002, 227, 228, 229).

¹ Associations embracing the smelting and refining, as well as the mining, of nonferrous metals were classified under group No. 35.

² Groups 13 and 29 were combined because of the tendency of associations in this field to embrace both production and refining functions.

B. Mining—Continued.

- Apparel and other finished products made from fabrics and similar materials (23) :
 - Men's and boys' clothing and accessories (23001, 231, 232).
 - Women's and children's clothing and accessories, including millinery (23002, 23003, 23004, 23005, 233, 234, 235, 236, 237).
 - Miscellaneous apparel and fabricated textile products (238, 239).
- Lumber and timber basic products (24).
- Furniture and finished lumber products (25) :
 - Furniture (25001, 251, 252, 253, 254).
 - Wooden containers (255).
 - Miscellaneous wooden products (256, 257, 259).
- Paper and allied products (26) :
 - Pulp, paper, and paperboard mill products (26001, 26002, 26003, 261, 262, 263).
 - Converted paper products (264, 265, 266, 267, 269).
- Printing, publishing, and allied industries (27) :
 - Newspaper, periodical, book, and music printing and publishing (271, 272, 273, 274).
 - Commercial printing and allied trades (275, 276, 277, 278, 279).
- Chemicals and allied products (28) :
 - Industrial chemicals (288).
 - Drugs, medicines, toilet preparations, insecticides, and related products (283, 284).
 - General and miscellaneous chemical products (281, 282, 285, 286, 287, 289).
- Rubber and leather products (30, 31).
- Stone, clay, glass, and kindred products (32, 295) :
 - Glass and glass products (32001, 321, 322, 323).
 - Cement, concrete, gypsum, and plaster products (324, 327).
 - Structural clay, pottery, and related products (325, 326).
 - Stone, nonmetallic mineral, and related products (295, 328, 329).
- Iron and steel and their products (33) :
 - Blast furnaces, steel works, rolling mills, and foundry products (331, 332).
 - Wire products (334).
 - Cutlery, tools, and general hardware (335).
 - Heating apparatus (except electric) and plumbers' supplies (336).
 - Fabricated structural steel and ornamental metal work (338).
 - Tinware and miscellaneous iron and steel products (333, 337, 339).
- Transportation equipment (except automobiles) (34) :
 - Railroad equipment (341).
 - Miscellaneous transportation equipment (342, 343, 344, 349).
- Nonferrous metals and their products (35) :
 - Aluminum, zinc, lead, and copper mining, smelting, refining, and basic product fabrication (35001, 35002, 35003, 35004, 35005, 351, 352, 353).
 - Miscellaneous nonferrous metal products (354, 355, 356, 357, 358, 359).
- Electrical apparatus and supplies (36).
- Machinery (except electrical) (37) :
 - Special industrial machinery (37001, 372, 373, 374, 375).
 - General industrial machinery (371, 376).
 - Store, office, household, and service industry machinery (377, 378).
- Automobiles and automobile equipment (38).
- Miscellaneous manufacturing industries (39) :
 - Professional and scientific instruments, equipment, and supplies (391, 392).
 - Toys and sporting and athletic goods (394).
 - Other industries (393, 395, 396, 397, 398, 399).
- Construction—General and special trade contractors (15, 16, 17).

C. Wholesale trade :^a

- Drygoods and apparel (403, 423).
- Groceries, beverages, tobacco, and food specialties (405, 406, 408, 409, 455).
- Farm products—raw materials (407, 457, 477).

^a There were no associations classified under the three-digit groups that do not appear here.

C. Wholesale trade—Continued.

- Lumber and construction materials, including plumbing and heating (413, 417).
- Machinery, equipment, and supplies, including hardware and electrical products (410, 412, 414).
- Miscellaneous wholesale trades (401, 402, 404, 411, 415, 416, 418, 419).

D. Retail trade:⁴

- Food and liquor (48, 55-S, 57).
- Apparel and general merchandise (49, 50).
- Drug stores (54).
- Lumber and building materials, including hardware (55, 56).
- Automotive dealers and filling stations (52, 53).
- Miscellaneous retail trades (51, 59).

E. Finance and real estate (60, 61, 62, 65, 69).⁵**F. Insurance:**

- Life insurance carriers (671).
- Fire and marine insurance carriers (672).
- Casualty, fidelity, surety, insurance carriers (673).
- General and miscellaneous insurance carriers (670, 674).
- Insurance agents, brokers, and service (68).

G. Transportation, communication, and other public utilities:⁶

- Transportation (70, 71, 72, 73, 74, 75, 78).
- Warehousing and storage (77).
- Heat, light, power, and communication (79, 80).

H. Personal, business, and recreational services:⁷

- Personal services, including hotels (82, 83).
- Business services not elsewhere classified (85).
- Motion picture production and distribution, amusements, and related services (89, 90).
- Miscellaneous services (86, 87, 88, 91, 93).

In the following list the 1,311 national and regional trade associations that are covered in one or more of the tabulations included in this report are grouped according to the industrial classes set forth above.⁸

NATIONAL AND REGIONAL TRADE ASSOCIATIONS INCLUDED IN THE SURVEY**FISHERY**

- American Fishermen's Tunaboat Association, San Diego, Calif.
- Federated Fishing Boats of New England and New York, Inc., Boston, Mass.
- Fishing Vessel Owners Association, Inc., Seattle, Wash.
- Massachusetts Fisheries Association, Boston, Mass.
- Middle Atlantic Fisheries Association, Inc., New York, N. Y.
- Oyster Growers and Dealers Association of North America, Inc., Washington, D. C.

Oyster Institute of North America, Washington, D. C.

COAL MINING

- Anthracite Industries, Inc., New York, N. Y.
- Anthracite Institute, New York, N. Y.
- Arkansas-Oklahoma Coal Operators Association, Fort Smith, Ark.
- National Coal Association, Washington, D. C.
- Rocky Mountain Coal Mining Institute, Denver, Colo.
- Southern Appalachian Coal Operators Association, Knoxville, Tenn.

⁴ There were no associations classified under group No. 58.

⁵ There were no associations classified under groups Nos. 63, 64, and 66.

⁶ There were no associations classified under groups Nos. 76 and 81.

⁷ There were no associations classified under groups Nos. 84, 92, 94, and 95.

⁸ This is not presented as either a complete or up-to-date list of national and regional trade associations. A directory of "Trade and Professional Associations of the United States," scheduled for publication late in 1940, will contain the most recent information concerning the names, addresses, activities, number of members, etc. of trade associations. This compilation has been prepared under the direction of C. J. Jenkins, Chief of the Trade Association Section, Department of Commerce, Washington, D. C.

MINING (OTHER THAN COAL) AND QUARRYING

American Bureau of Metal Statistics, New York, N. Y.
 American Manganese Producers Association, Washington, D. C.
 American Mining Congress, Washington, D. C.
 American Potash Institute, Washington, D. C.
 China Clay Producers Association, New York, N. Y.
 Lake Superior Iron Ore Association, Cleveland, Ohio.
 National Crushed Stone Association, Inc., Washington, D. C.
 National Industrial Sand Association, Washington, D. C.
 National Sand and Gravel Association, Inc., Washington, D. C.
 Northwest Mining Association, Spokane, Wash.
 Phosphate Rock Institute, Inc., New York, N. Y.

PETROLEUM PRODUCTION AND REFINING AND NATURAL GAS PRODUCTION

American Petroleum Institute, New York, N. Y.
 California Oil and Gas Association, Los Angeles, Calif.
 Illinois-Indiana Petroleum Association, Robinson, Ill.
 Independent Petroleum Association of America, Tulsa, Okla.
 Mid-Continent Oil and Gas Association, Tulsa, Okla.
 National Petroleum Association, Washington, D. C.
 National Rig Building Employers Association, Tulsa, Okla.
 National Stripper Well Association, Tulsa, Okla.
 Natural Gasoline Association of America, Tulsa, Okla.
 Pennsylvania Grade Crude Oil Association, Oil City, Pa.
 Western Petroleum Refiners Association, Tulsa, Okla.

FOOD AND KINDRED PRODUCTS

Dairy products

American Butter Institute, Inc., Chicago, Ill.
 American Dry Milk Institute, Chicago, Ill.
 Association of Ice Cream Manufacturers of New York State, New York, N. Y.
 Association of Ice Cream Manufacturers of Pennsylvania and New Jersey, New York, N. Y.
 Evaporated Milk Association, Chicago, Ill.
 Ice Cream Institute of California, San Francisco, Calif.
 International Association of Ice Cream Manufacturers, Washington, D. C.
 National Association of Retail Ice Cream Manufacturers, Toledo, Ohio.
 National Cheese Institute, Inc., Plymouth, Wis.
 National Dairy Union, Washington, D. C.
 New England Association of Ice Cream Manufacturers, Inc., Worcester, Mass.
 Northwest Association of Ice Cream Manufacturers, Willmar, Minn.
 Southern Association of Ice Cream Manufacturers, Sylacauga, Ala.

Canning and preserving

Association of Pacific Fisheries, Seattle, Wash.
 California Fish Cannery Association, Inc., Long Beach, Calif.
 California Olive Association, San Francisco, Calif.
 California Sardine Products Institute, San Francisco, Calif.
 Dried Fruit Association of California, San Francisco, Calif.
 Iowa-Nebraska Cannery Association, Inc., Vinton, Iowa.
 National Cannery Association, Washington, D. C.
 National Kraut Packers Association, Clyde, Ohio.
 National Pickle Packers Association, Chicago, Ill.
 National Preservers Association, Washington, D. C.
 New England Salt Fish Association, Boston, Mass.
 Northwest Cannery Association, Portland, Oreg.
 Northwest Dried Fruit Association, Portland, Oreg.
 Northwest Frozen Foods Association, Portland, Oreg.
 Northwest Salmon Cannery Association, Seattle, Wash.
 Pacific Herring Packers Association, Seattle, Wash.
 Pickle Manufacturers Society, Chicago, Ill.
 Tri-State Packers Association, Easton, Md.
 Western Pickle Manufacturers Association, San Leandro, Calif.

Grain mill products

American Corn Millers Federation, Chicago, Ill.
 American Dog Feed Institute, New York, N. Y.
 American Feed Manufacturers Association, Chicago, Ill.
 American Millers Association, Chicago, Ill.
 Corn Industries Research Foundation, New York, N. Y.
 Millers National Federation, Chicago, Ill.
 New England Millers and Shippers Association, Boston, Mass.
 Northeastern States Feed Manufacturers Association, Inc., Waverly, N. Y.
 North Pacific Millers Association, Portland, Oreg.
 Piedmont Millers Association, Richmond, Va.
 Rice Millers Association, New Orleans, La.
 Southeastern Millers Association, Louisville, Ky.
 Southern Mixed Feed Manufacturers Association, Memphis, Tenn.

Confectionery and bakery products

American Bakers Association, Chicago, Ill.
 American Institute of Baking, Chicago, Ill.
 Association of Cocoa and Chocolate Manufacturers of the United States, New York, N. Y.
 Association of Manufacturers of Confectionery and Chocolate of the State of New York, New York, N. Y.
 Bakery Sales Association, Milwaukee, Wis.
 Biscuit and Cracker Manufacturers Association of America, New York, N. Y.
 Cherry and Glace Fruit Association, New York, N. Y.
 Inland Empire Bakers Association, Inc., Spokane, Wash.
 Marshmallow Manufacturers Association, Chicago, Ill.
 National Association of Chewing Gum Manufacturers, New York, N. Y.
 National Confectioners' Association of the United States, Inc., Chicago, Ill.
 New England Bakers Association, Boston, Mass.
 New England Manufacturing Confectioners Association, Boston, Mass.
 Rocky Mountain Bakers Association, Denver, Colo.
 Specialty Bakery Owners of America, Inc., New York, N. Y.
 Western Confectioners Association, Inc., San Francisco, Calif.

Beverages

American Bottlers of Carbonated Beverages, Washington, D. C.
 American Brewers Association, Chicago, Ill.
 American Champagne Guild, Inc., New York, N. Y.
 Associated Brewers of the Fifth Region, Inc., Baltimore, Md.
 Brewing Industry, Inc., Chicago, Ill.
 Distilled Spirits Institute, Inc., Washington, D. C.
 Finger Lakes Wine Growers Association, Washington, D. C.
 League of Distilled Spirits Rectifiers, Inc., Washington, D. C.
 Pennsylvania Bottlers Protective Association, Philadelphia, Pa.
 Pennsylvania State Brewers Association of America, Philadelphia, Pa.
 United Brewers Industrial Foundation, New York, N. Y.
 United States Brewers Association, New York, N. Y.
 United States Maltsters Association, Chicago, Ill.
 Wine Institute, San Francisco, Calif.

Miscellaneous food and related products

American Spice Trade Association, New York, N. Y.
 Associated Grocery Manufacturers of America, Inc., New York, N. Y.
 Cigar Manufacturers Association of America, New York, N. Y.
 Corn Oil Producers Association, Chicago, Ill.
 Corn Refiners Statistical Bureau, Chicago, Ill.
 Delta States Ice Association, Inc., New Orleans, La.
 Eastern Meat Packers Association, Inc., New York, N. Y.
 Eastern States Ice Association, Philadelphia, Pa.
 Farmers and Manufacturers Beet Sugar Association, Saginaw, Mich.
 Flavoring Extract Manufacturers Association of the United States, Chicago, Ill.
 Institute of American Meat Packers, Chicago, Ill.
 Institute of Shortening Manufacturers, Inc., Atlanta, Ga.

Mountain States Association of Ice Industries, Colorado Springs, Colo.
 National Association of Ice Industries, Chicago, Ill.
 National Association of Manufacturers of Fruit and Flavoring Syrups, Chicago, Ill.
 National Association of Margarine Manufacturers, Inc., Columbus, Ohio.
 National Macaroni Manufacturers Association, Braidwood, Ill.
 National Malt Products Manufacturers Association, Chicago, Ill.
 National Manufacturers of Soda Water Flavors, Chicago, Ill.
 National Sausage Casing Dealers Association, New York, N. Y.
 New England Ice Association, Boston, Mass.
 Northwest Association of Ice Industries, Seattle, Wash.
 Potato Chip Institute, Cleveland, Ohio.
 Southern California-Arizona Association of Ice Industries, Los Angeles, Calif.
 Southwestern Ice Manufacturers Association, Dallas, Tex.
 Starch Manufacturers Association, Chicago, Ill.
 Syrup Mixers Society, Chicago, Ill.
 Tobacco Merchants Association of the United States, New York, N. Y.
 United States Beet Sugar Association, Washington, D. C.
 United States Cane Sugar Refiners' Association, New York, N. Y.
 Vegetable Oil Products Institute, Chicago, Ill.

TEXTILE MILL PRODUCTS

Cotton, woolen and worsted, silk and rayon, manufacturers

American Cotton Manufacturers Association, Charlotte, N. C.
 Brattice Cloth Manufacturers Association, New York, N. Y.
 Canvas Water Proofers Association, Poughkeepsie, N. Y.
 Cotton Textile Institute, Inc., New York, N. Y.
 Cotton Thread Institute, Inc., New York, N. Y.
 Durene Association of America, New York, N. Y.
 Hair Cloth Manufacturers Association of the United States, Philadelphia, Pa.
 Interlining Manufacturers Association, Inc., New York, N. Y.
 Mercerizers Association of America, New York, N. Y.
 Middle States Textile Manufacturers Association, Cannelton, Ind.
 Narrow Fabrics Institute, New London, Conn.
 National Association of Cotton Manufacturers, Boston, Mass.
 National Association of Finishers of Textile Fabrics, New York, N. Y.
 National Association of Wool Manufacturers, Boston, Mass.
 National Federation of Textiles, Inc., New York, N. Y.
 National Rayon Weavers Association, Inc., New York, N. Y.
 National Textile Processors Guild, Inc., New York, N. Y.
 Print Cloth Group of Cotton Manufacturers, Clinton, S. C.
 Silk Commission Manufacturers' Association, Paterson, N. J.
 Southern Combed Yarn Spinners Association, Gastonia, N. C.
 Textile Color Card Association, Inc., New York, N. Y.
 Throwsters Research Institute, Inc., New York, N. Y.

Knit goods

Full Fashioned Hosiery Manufacturers of America, Inc., Philadelphia, Pa.
 National Association of Hosiery Manufacturers, Inc., New York, N. Y.
 National Knitted Outerwear Association, New York, N. Y.
 Southern Hosiery Manufacturers Association, Charlotte, N. C.
 Underwear Institute, New York, N. Y.
 Woolen Hosiery Institute of America, Cincinnati, Ohio.

Miscellaneous textile goods

Allied Hat Manufacturers, Inc., New York, N. Y.
 American Lace Manufacturers Association, Inc., New York, N. Y.
 Coach Lace Institute, New York, N. Y.
 Cordage Institute, New York, N. Y.
 Felt Association, Inc., New York, N. Y.
 Grass and Fibre Rug Manufacturers Association, New York, N. Y.
 Hat Institute, Inc., New York, N. Y.
 Hatters Fur Cutters' Association of the U. S. A., Newark, N. J.

Institute of Book Cloth and Impregnated Fabric Manufacturers, New York, N. Y.
 Institute of Carpet Manufacturers, New York, N. Y.
 Institute of Leather Cloth and Lacquered Fabrics Manufacturers, New York, N. Y.
 Lace League of America, Inc., New York, N. Y.
 Linoleum and Felt Base Manufacturers Association, New York, N. Y.
 National Association of Lace Curtain Manufacturers, Inc., New York, N. Y.
 Papermakers' Felt Association, Appleton, Wis.
 Sanitary Institute, Chicago, Ill.
 Shoe Lace Institute, Providence, R. I.
 Soft Fibre Manufacturers Institute, New York, N. Y.
 Southern and Western Hat Manufacturers Association, St. Louis, Mo.
 Twisted Jute Packing and Oakum Institute, New York, N. Y.
 Wool Felt Hat Manufacturers Association of America, New York, N. Y.
 Woven Label Manufacturers' Association, Inc., New York, N. Y.

APPAREL AND OTHER FINISHED PRODUCTS MADE FROM FABRICS AND SIMILAR MATERIALS

Men's and boys' clothing and accessories

Athletic Apparel Manufacturing Association, Greenville, Ohio.
 Central West Garment Association, Des Moines, Iowa.
 Greater Clothing Contractors Association, Inc., New York, N. Y.
 International Association of Garment Manufacturers, New York, N. Y.
 National Association Men's Shirts and Boys' Blouse Contractors, Inc., New York, N. Y.
 National Association of Shirt and Pajama Manufacturers, New York, N. Y.
 National Association of Uniform Manufacturers, New York, N. Y.
 National Pajama Guild, Inc., New York, N. Y.
 National Work Shirt Manufacturers Association, Inc., New York, N. Y.
 New York Clothing Manufacturers Exchange, Inc., New York, N. Y.
 Shirt Institute, Inc., New York, N. Y.
 Southern Garment Manufacturers Association, Inc., Nashville, Tenn.
 United Pants and Novelties Contractors Association, Inc., New York, N. Y.

Women's and children's clothing and accessories, including millinery

Affiliated Dress Manufacturers, Inc., New York, N. Y.
 Allied Underwear Association, Inc., New York, N. Y.
 American Cloak and Suit Manufacturers Association, New York, N. Y.
 American Fur Liners Contractors Association, Inc., New York, N. Y.
 Associated Fur Coat and Trimming Manufacturers, Inc., New York, N. Y.
 Belt Association, Inc., New York, N. Y.
 Chicago Association of Dress Manufacturers, Chicago, Ill.
 Corset and Brassiere Association of America, New York, N. Y.
 Dress Creators League of America, New York, N. Y.
 Eastern Millinery Chamber of Commerce, Inc., New York, N. Y.
 Eastern Women's Headwear Association, Inc., New York, N. Y.
 Greater Blouse Skirt and Neckwear Contractors Association, Inc., New York, N. Y.
 Industrial Council of Cloak, Suit and Skirt Manufacturers, Inc., New York, N. Y.
 Merchants Ladies Garment Association, Inc., New York, N. Y.
 Millinery Creators Guild, New York, N. Y.
 Millinery Stabilization Commission, Inc., New York, N. Y.
 National Association of Blouse Manufacturers, Inc., New York, N. Y.
 National Association of House Dress Manufacturers, Inc., New York, N. Y.
 National Association of Ladies Hatters, New York, N. Y.
 National Coat and Suit Industry Recovery Board, New York, N. Y.
 National Dress Manufacturers Association, New York, N. Y.
 National Headwear Manufacturing Association, New York, N. Y.
 National Skirt Manufacturers Association, Inc., New York, N. Y.
 National Women's Neckwear and Scarf Association, Inc., New York, N. Y.
 National Women's Undergarment Manufacturers Association, Inc., New York, N. Y.
 New England Jobbers Millinery Association, Boston, Mass.
 Pacific Coast Garment Manufacturers, San Francisco, Calif.

Popular Price Dress Manufacturers Group, Inc., New York, N. Y.
 United Fur Manufacturers Association, Inc., New York, N. Y.
 United Infants and Children's Wear Association, Inc., New York, N. Y.
 Washable Suits, Novelties and Sportswear Contractors Association, Inc., New York, N. Y.

Miscellaneous apparel and fabricated textile products

Associated Manufacturers Tubular Pippings and Trimmings, Inc., New York, N. Y.
 Middle Atlantic Canvas Goods Manufacturers Association, Philadelphia, Pa.
 National Canvas Goods Manufacturers Association, Inc., St. Paul, Minn.
 National Costumers Association, Inc., Indianapolis, Ind.
 National Hand Embroidery and Novelty Manufacturers Association, New York, N. Y.
 New England Awning and Tent Manufacturers Association, Inc., Boston, Mass.
 New England Curtain Manufacturers Association, Boston, Mass.
 Pleaters, Stitchers and Embroidery Manufacturers Association, New York, N. Y.
 Textile Bag Manufacturers Association, Chicago, Ill.
 Tufted Bedspread Manufacturers Association, Dalton, Ga.
 Work Glove Institute, Chicago, Ill.

LUMBER AND TIMBER BASIC PRODUCTS

American Pulpwood Association, New York, N. Y.
 American Walnut Manufacturers Association, Chicago, Ill.
 Appalachian Hardwood Manufacturers, Inc., Cincinnati, Ohio
 California Redwood Association, San Francisco, Calif.
 Cold Storage Door Manufacturers Council, Cleveland, Ohio
 Douglas Fir Plywood Association, Tacoma, Wash.
 Fir Door Institute, Tacoma, Wash.
 Hardwood Dimension Manufacturers Association, Inc., Louisville, Ky.
 Lumber Manufacturers Association of Southern New England, Ansonia, Conn.
 Mahogany Association, Inc., Chicago, Ill.
 Maple Flooring Manufacturers Association, Chicago, Ill.
 Millwork Cost Bureau, Chicago, Ill.
 National Door Manufacturers Association, Inc., Chicago, Ill.
 National Hardwood Lumber Association, Chicago, Ill.
 National Lumber Manufacturers Association, Washington, D. C.
 National Oak Flooring Manufacturers Association, Inc., Memphis, Tenn.
 New England Lumbermen's Association, Manchester, N. H.
 Northeastern Lumber Manufacturers Association, Inc., New York, N. Y.
 Northern Hemlock and Hardwood Manufacturers Association, Oshkosh, Wis.
 Northern Pine Manufacturers Association, Minneapolis, Minn.
 Pacific Lumber Inspection Bureau, Inc., Seattle, Wash.
 Pacific Northwest Loggers Association, Seattle, Wash.
 Pacific Northwest Woodwork Association, Seattle, Wash.
 Plywood Manufacturers Institute, Cleveland, Ohio
 Railway Tie Association, St. Louis, Mo.
 Red Cedar Shingle Bureau, Seattle, Wash.
 Roofer Manufacturers Association, Cuthbert, Ga.
 Rotary Cut Lumber Manufacturers Association, Chicago, Ill.
 Southern Cypress Manufacturers Association, Jacksonville, Fla.
 Southern Hardwood Producers, Inc., Memphis, Tenn.
 Southern Pine Association, New Orleans, La.
 Southern Plywood and Veneer Association, Charlotte, N. C.
 Southwestern Hardwood Manufacturers Club, New Orleans, La.
 Southwestern Woodwork Association, Kansas City, Mo.
 United States Red Cedar Shingle Industry, Inc., Seattle, Wash.
 Veneer Association, Chicago, Ill.
 West Coast Lumbermen's Association, Seattle, Wash.
 Western Pine Association, Portland, Oreg.
 Western Red and Northern White Cedar Association, Minneapolis, Minn.

FURNITURE AND FINISHED LUMBER PRODUCTS

Furniture

Cedar Chest Manufacturers Association of America, Forest Park, Ill.
 National Association of Bedding Manufacturers, Chicago, Ill.
 National Association of Furniture Manufacturers, Inc., Chicago, Ill.
 National Association of Ice Refrigerator Manufacturers, Chicago, Ill.
 National Association of Manufacturers of Wood Office Desks and Tables, Grand Rapids, Mich.
 New England Bedding Manufacturers Association, Boston, Mass.
 Southern Furniture Manufacturers Association, High Point, N. C.
 Steel Kitchen Cabinet Institute, New York, N. Y.
 Trade Practice Committee, Public Seating Industry, Washington, D. C.

Wooden containers

American Veneer Package Association, Inc., Washington, D. C.
 Associated Cooperage Industries of America, Inc., St. Louis, Mo.
 Butter Tub Manufacturers Council, Cleveland, Ohio
 East Central Wooden Box Association, New Castle, Pa.
 Eastern Package Association, Washington, D. C.
 Eastern Wooden Box Association, Boston, Mass.
 National Wooden Box Association, Washington, D. C.
 Northeastern Veneer Package Association, Rochester, N. Y.
 Pacific Veneer Package Association, Tacoma, Wash.
 Plywood Package Institute, New York, N. Y.
 Southeastern Box and Shook Manufacturers Association, Inc., Charlotte, N. C.
 Southern Box and Crate Association, Shreveport, La.
 Wirebound Box Manufacturers Association, Inc., Chicago, Ill.
 Wooden Pail and Tub Association, Keene, N. H.

Miscellaneous wooden products

American Ladder Institute, Wooster, Ohio
 American Match Manufacturers Association, New York, N. Y.
 Association of Window Shade Cloth and Roller Manufacturers, New York, N. Y.
 Bobbin Manufacturers Association, New York, N. Y.
 Casket Manufacturers Association of America, Cincinnati, Ohio
 Cloth Reel Manufacturers Association, New York, N. Y.
 Cork Institute of America, New York, N. Y.
 Hickory Handle Association, Inc., Hope, Ark.
 Last Manufacturers Association, Boston, Mass.
 Metal Burial Vault Manufacturers Association, Cincinnati, Ohio
 National Association of Blocking Wood Manufacturers, New York, N. Y.
 National Handle Manufacturers Association, Arcola, Ill.
 National Venetian Blind Guild, Cleveland, Ohio
 Wood Turners Service Bureau, Boston, Mass.

PAPER AND ALLIED PRODUCTS

Pulp, paper, and paperboard mill products

American Paper and Pulp Association, New York, N. Y.
 American Sulphate Pulp and Board Association, New York, N. Y.
 Association of Newsprint Manufacturers of the United States, New York, N. Y.
 Blotting Paper Manufacturers Association, New York, N. Y.
 Book Paper Manufacturers Association, New York, N. Y.
 Bristol Board Manufacturers Group, New York, N. Y.
 Cardboard Manufacturers Association, New York, N. Y.
 Fibre Board Manufacturers Association, Boston, Mass.
 Glassine and Greaseproof Manufacturers Association, New York, N. Y.
 Groundwood Paper Manufacturers Association, New York, N. Y.
 Kraft Paper Association, New York, N. Y.
 National Leather Fibre Conference, Boston, Mass.
 National Paperboard Association, Chicago, Ill.

New England Paper and Pulp Traffic Association, Boston, Mass.
 Paper and Bag Institute of the Pacific Coast, San Francisco, Calif.
 Soda Pulp Manufacturers Association, New York, N. Y.
 Specialty Paper and Board Affiliates, Springfield, Mass.
 Sulphite Paper Manufacturers Association, New York, N. Y.
 Tissue Association, New York, N. Y.
 United States Pulp Producers Association, New York, N. Y.
 Writing Paper Manufacturers Association, New York, N. Y.

Converted paper products

Allegheny Container Association, Pittsburgh, Pa.
 American Waxed Paper Association, Philadelphia, Pa.
 Association of American Playing Card Manufacturers, New York, N. Y.
 Chicago Container Association, Chicago, Ill.
 Cup and Container Institute, Inc., New York, N. Y.
 Envelope Manufacturers Association of America, New York, N. Y.
 Export Fibreboard Case Association, San Francisco, Calif.
 Folding Paper Box Association of America, Chicago, Ill.
 Glassine Bag Association, New York, N. Y.
 Glazed and Fancy Paper Manufacturers Association, Providence, R. I.
 Gunned Industries Association, New York, N. Y.
 Indiana Container Association, Cleveland, Ohio.
 Liquid-Tight Paper Container Association, Philadelphia, Pa.
 Michigan Container Association, Chicago, Ill.
 Middle Atlantic Container Association, Philadelphia, Pa.
 Milk Cap Statistical Bureau (formerly National Association of Bottle Cap manufacturers), Philadelphia, Pa.
 National Association of Sanitary Milk Bottle Closure Manufacturers, Philadelphia, Pa.
 National Container Association, Chicago, Ill.
 National Crepe Paper Association, Philadelphia, Pa.
 National Drug Label and Box Association, Cincinnati, Ohio.
 National Fibre Can and Tube Association, New York, N. Y.
 National Paper Box Manufacturers Association, Philadelphia, Pa.
 National Photographic Mount Manufacturers Association, Cleveland, Ohio.
 New England Folding Paper Box Manufacturers Association, Boston, Mass.
 New York State Container Association, Rochester, N. Y.
 Northwestern Container Association, Chicago, Ill.
 Ohio Container Association, Cleveland, Ohio.
 Pacific Coast Paper Box Manufacturers Association, San Francisco, Calif.
 Pacific Coast Container Association, San Francisco, Calif.
 Paper Bag Manufacturers Institute, New York, N. Y.
 Paper Pail and Egg Box Institute, Chicago, Ill.
 Paper Shipping Sack Manufacturers Association, New York, N. Y.
 Paper Stationery and Tablet Manufacturers Association, Inc., New York, N. Y.
 Paraffined Carton Association, Chicago, Ill.
 Piedmont Container Association, Atlanta, Ga.
 Southeastern Container Association, Atlanta, Ga.
 Southwestern Container Association, East St. Louis, Ill.
 Tag Manufacturers Institute, New York, N. Y.
 Transparent Bag and Envelope Association, New York, N. Y.
 Wall Paper Institute, New York, N. Y.
 Window Face Bag Association, New York, N. Y.

PRINTING, PUBLISHING, AND ALLIED INDUSTRIES

Newspaper, periodical, book, and music, printing and publishing

Agricultural Publishers Association, Chicago, Ill.
 American Association of Law Book Publishers, Rochester, N. Y.
 Associated Business Papers, Inc., New York, N. Y.
 Associated Court and Commercial Newspapers, Omaha, Nebr.
 Association of North American Directory Publishers, New York, N. Y.
 Book Manufacturers Institute, New York, N. Y.
 Book Publishers Bureau, Inc., New York, N. Y.
 Catholic Press Association, Inc., Chicago, Ill.

Employing Printers Association of America, Chicago, Ill.
 Inland Daily Press Association, Inc., Chicago, Ill.
 Music Publishers' Association of the United States, New York, N. Y.
 Music Publishers Protective Association, Inc., New York, N. Y.
 National Editorial Association, Chicago, Ill.
 National Music Printers and Allied Trades Association, Inc., New York, N. Y.
 National Publishers Association, Inc., New York, N. Y.
 New England Daily Newspaper Association, Inc., Worcester, Mass.
 Newspaper Advertising Executives Association, Milwaukee, Wis.
 Northwest Daily Press Association, Minneapolis, Minn.
 Pacific Northwest Newspaper Association, Portland, Oreg.
 Periodical Publishers Association of America, New York, N. Y.
 Poultry Publishers Association, Mt. Morris, Ill.
 Publishers Association of New York City, New York, N. Y.
 Southern Newspaper Publishers Association, Chattanooga, Tenn.

Commercial printing and allied trades

Advertising Typographers Association of America, Inc., New York, N. Y.
 American Photo-Engravers Association, Chicago, Ill.
 Association of Bank Note Companies, Washington, D. C.
 Central States Association of Photo-Engravers, Cleveland, Ohio.
 Eastern Lithographers Association, New York, N. Y.
 Electrotypes and Stereotypers Association of New York, Inc., New York, N. Y.
 Employing Photo-Engravers Association of America, Chicago, Ill.
 Greeting Card Publishers, Inc., New York, N. Y.
 Institute of Bank Stationers, New York, N. Y.
 International Association of Electrotypes and Stereotypers, Cleveland, Ohio.
 International Trade Composition Association, Philadelphia, Pa.
 Label Manufacturers National Association, New York, N. Y.
 Lithographers National Association, Inc., New York, N. Y.
 Master Engravers' Guild, Paterson, N. J.
 National Association of Greeting Card Manufacturers, Inc., New York, N. Y.
 National Association of Photo-Lithographers, New York, N. Y.
 National Converters Institute, Chicago, Ill.
 National Gravure Printers, Chicago, Ill.
 New England Photo-Engravers Association, Inc., Boston, Mass.
 New York Employing Printers Association, Inc., New York, N. Y.
 Specialty and Accounting Supply Manufacturers Association, Chicago, Ill.
 United Typothetae, Inc., Washington, D. C.

CHEMICALS AND ALLIED PRODUCTS

Industrial chemicals

American Tanning Extract Manufacturers Association, Nashville, Tenn.
 Calcium Chloride Association, Detroit, Mich.
 Carbon Dioxide Institute, Inc., New York, N. Y.
 Casein Plastics Manufacturers and Fabricators Association, Inc., New York, N. Y.
 Cellulose Plastics Manufacturers Association, Washington, D. C.
 Chlorine Institute, Inc., New York, N. Y.
 Compressed Gas Manufacturers Association, Inc., New York, N. Y.
 Industrial Alcohol Institute, Inc., New York, N. Y.
 Institute of Makers of Explosives, New York, N. Y.
 Liquefied Petroleum Gas Association, New York, N. Y.
 National Gas Products Association, New York, N. Y.
 National Oxygen and Acetylene Association, Chicago, Ill.
 National Stearic Acid Association, New York, N. Y.
 Rosin Oil Institute, Cleveland, Ohio.
 Salt Producers Association, Detroit, Mich.
 Society of Plastics Industry, New York, N. Y.
 Sodium-Silicate Manufacturers Institute, Philadelphia, Pa.
 Sulphonated Oil Manufacturers Association, Inc., New York, N. Y.
 Synthetic Organic Chemical Manufacturers Association of the United States,
 New York, N. Y.

Drugs, medicines, toilet preparations, insecticides, and related products

Agricultural Insecticide and Fungicide Association, New York, N. Y.
 American Drug Manufacturers Association, Washington, D. C.
 American Pharmaceutical Manufacturers Association, New York, N. Y.
 Association of American Soap and Glycerine Producers, Inc., New York, N. Y.
 National Association of Insecticide and Disinfectant Manufacturers, Inc., New York, N. Y.
 Pacific Coast Insecticide Association, San Francisco, Calif.
 Proprietary Association, Washington, D. C.

General and miscellaneous chemical products

Adhesives Manufacturers Association of America, New York, N. Y.
 American Bleached Shellac Manufacturers Association, Inc., New York, N. Y.
 Association of American Producers of Domestic Inedible Fats, Washington, D. C.
 Association of Manufacturers of Shoe and Leather Finishes and Cements, Boston, Mass.
 Bureau of Raw Materials for American Vegetable Oils and Fats Industries, Washington, D. C.
 Candle Manufacturers Association, New York, N. Y.
 Chemical Alliance, Inc., New York, N. Y.
 Dry Color Manufacturers Association, New York, N. Y.
 Eastern Melters Association, Jersey City, N. J.
 Edible Gelatine Manufacturers Research Society of America, Inc., New York, N. Y.
 Essential Oil Association of the United States of America, New York, N. Y.
 Lime Putty Products Association, Birmingham, Ala.
 Manufacturing Chemists Association of the United States, Washington, D. C.
 Middle Atlantic Renderers Association, Philadelphia, Pa.
 National Association of Glue Manufacturers, Inc., New York, N. Y.
 National Association of Printing Ink Makers, Inc., New York, N. Y.
 National Cottonseed Products Association, Inc., Memphis, Tenn.
 National Fertilizer Association, Inc., Washington, D. C.
 National Institute of Oilseed Products, San Francisco, Calif.
 National Lubricating Grease Institute, Buffalo, N. Y.
 National Paint, Varnish and Lacquer Association, Inc., Washington, D. C.
 National Soybean Processors Association, Chicago, Ill.
 Pyrotechnic Industries, Inc., Washington, D. C.
 Sporting Arms and Ammunition Manufacturers Institute, New York, N. Y.
 Tapioca Institute of America, New York, N. Y.
 Wood Chemical Institute, Inc., Washington, D. C.

RUBBER AND LEATHER PRODUCTS

American Leather Belting Association, New York, N. Y.
 Eastern Shoe Manufacturers Association, Inc., Lynn, Mass.
 Luggage and Leather Goods Manufacturers of America, Inc., New York, N. Y.
 National Association of Leather Glove Manufacturers, Inc., Gloversville, N. Y.
 National Association of Slipper Manufacturers, Inc., New York, N. Y.
 National Association of Wood Heel Manufacturers, Haverhill, Mass.
 National Authority for the Ladies Handbag Industry, New York, N. Y.
 National Boot and Shoe Manufacturers Association, Inc., New York, N. Y.
 New England Shoe and Leather Association, Boston, Mass.
 Rubber Manufacturers Association, Inc., New York, N. Y.
 Rubber Reclaimers Association, Inc., New York, N. Y.
 Saddlery Manufacturers Association of the United States of America, Inc., Chicago, Ill.
 Tanners Council of the United States of America, New York, N. Y.
 Tire and Rim Association, Inc., Cleveland, Ohio.

STONE, CLAY, GLASS, AND KINDRED PRODUCTS

Glass and glass products

American Glassware Association, New York, N. Y.
 Associated Glass and Pottery Manufacturers, Pittsburgh, Pa.
 Glass Container Association of America, New York, N. Y.
 Mirror Manufacturers Association, Washington, D. C.
 National Association of Manufacturers of Pressed and Blown Glassware,
 Pittsburgh, Pa.
 Plate Glass Manufacturers of America, Pittsburgh, Pa.
 Safety Glass Association, Inc., Toledo, Ohio.
 Stained Glass Association of America, St. Louis, Mo.

Cement, concrete, gypsum, and plaster products

American Concrete Pipe Association, Chicago, Ill.
 Cast Stone Institute, Chicago, Ill.
 Cement Institute, Chicago, Ill.
 Fibre Wallboard Association, Chicago, Ill.
 Gypsum Association, Chicago, Ill.
 Insulation Board Institute, Chicago, Ill.
 National Cinder Concrete Products Association, Philadelphia, Pa.
 National Concrete Burial Vault Association, Inc., Cleveland, Ohio.
 National Concrete Masonry Association, Chicago, Ill.
 National Lime Association, Washington, D. C.
 National Mineral Wool Association, New York, N. Y.
 National Ready Mixed Concrete Association, Washington, D. C.
 Pacific Coast Cement Institute, Los Angeles, Calif.
 Portland Cement Association, Chicago, Ill.
 Quality Lime Institute, Philadelphia, Pa.
 Western Portland Cement Association, Denver, Colo.

Structural clay, pottery, and related products

American Vitrified China Manufacturers Association, New Castle, Pa.
 Clay Products Association, Chicago, Ill.
 Eastern Paving Brick Association, Langhorne, Pa.
 National Paving Brick Association, Washington, D. C.
 National Terra Cotta Manufacturers Association, New York, N. Y.
 Pacific Coast Association of Tile Manufacturers, Inc., Los Angeles, Calif.
 Southern Vitrified Pipe Association, Cincinnati, Ohio.
 Structural Clay Products Institute, Inc., Washington, D. C.
 Tile Manufacturers Association, New York, N. Y.
 United States Potters Association, East Liverpool, Ohio.
 Vitreous China Plumbing Fixtures Association, Pittsburgh, Pa.

Stone, non-metallic mineral, and kindred products

Abrasive Grain Association, Worcester, Mass.
 American Granite Association, Boston, Mass.
 American Refractories Institute, Pittsburgh, Pa.
 Asphalt Institute, New York, N. Y.
 Asphalt Shingle and Roofing Institute, New York, N. Y.
 Barre Granite Association, Inc., Barre, Vt.
 Brake Lining Manufacturers Association, Inc., New York, N. Y.
 Buff and Polishing Wheel Manufacturers Association, Inc., New York, N. Y.
 Coated Abrasives Association, New York, N. Y.
 Crucible Manufacturers Association, New York, N. Y.
 Dry Ground Mica Association, Trenton, N. J.
 Grinding Wheel Manufacturers Association, Worcester, Mass.
 National Association of Marble Dealers, Cleveland, Ohio.
 National Building Granite Quarries Association, Inc., New York, N. Y.
 National Feldspar Association (Grinders Division), New York, N. Y.
 National Slag Association, Washington, D. C.
 Northwest Magnesia Association, Seattle, Wash.

Pacific Coast Asphalt Shingle and Roofing Institute, Los Angeles, Calif.
 Pacific Coast Marble Dealers' Association, San Francisco, Calif.
 Sand Lime Brick Association, Saginaw, Mich.
 Special Refractories Association, New York, N. Y.
 Wet Ground Mica Association, Inc., New York, N. Y.

IRON AND STEEL AND THEIR PRODUCTS

Blast furnaces, steel works, rolling mills, and foundry products

American Foundrymen's Association, Inc., Chicago, Ill.
 American Iron and Steel Institute, New York, N. Y.
 Cast Iron Pipe Research Association, Chicago, Ill.
 Cast Iron Pressure Pipe Institute, Washington, D. C.
 Cold Finished Steel Bar Institute, Pittsburgh, Pa.
 Gray Iron Founders Society, Inc., Cleveland, Ohio.
 Malleable Founders Society, Cleveland, Ohio.
 National Association of Flat Rolled Steel Manufacturers, Pittsburgh, Pa.
 National Founders Association, Chicago, Ill.
 New England Foundrymen's Association, Cambridge, Mass.
 Rail Steel Bar Association, Chicago, Ill.
 Steel Founders' Society of America, Cleveland, Ohio.

Wire products

American Institute of Tack Manufacturers, Boston, Mass.
 Bright Wire Goods Manufacturers Service Bureau, New York, N. Y.
 Fine Wire Manufacturers Association, Washington, D. C.
 Industrial Wire Cloth Institute, New York, N. Y.
 Spring Manufacturers Association, Inc., Bristol, Conn.
 Wire Association, Stamford, Conn.
 Wire Cloth Manufacturers Association, Washington, D. C.
 Wire Reinforcement Institute, Youngstown, Ohio.
 Wire Rope and Strand Manufacturers Association, Washington, D. C.
 Wire Screen Cloth Manufacturers Institute, New York, N. Y.

Cutlery, tools, and general hardware

American Hardware Manufacturers Association, New York, N. Y.
 Associated Manufacturers of Saddlery Accessories of the United States of America,
 South Milwaukee, Wis.
 Axe Association, Philadelphia, Pa.
 Casket Hardware Manufacturers Service Bureau, Cincinnati, Ohio.
 Caster and Floor Truck Manufacturers Association, Chicago, Ill.
 File Manufacturers Association of the United States, Philadelphia, Pa.
 Forged Tool Society, Pittsburgh, Pa.
 Glass Cutter Manufacturers Association of America, Bristol, Conn.
 Hack Saw Manufacturers Association of America, Inc., New York, N. Y.
 Hammer and Hatchet Association, Philadelphia, Pa.
 National Auger Bit and Tool Manufacturers Association, New York, N. Y.
 Saddlery Hardware Manufacturers Institute, New York, N. Y.
 Scythe and Grass Hook Association, Philadelphia, Pa.
 Wrench Manufacturers Statistical Service, New York, N. Y.

Heating apparatus (except electric) and plumbers' supplies

American Boiler Manufacturers Association and Affiliated Industries, Cleveland,
 Ohio.
 American Boiler Manufacturers Association, Fair Practice Committee, New
 York, N. Y.
 Association of Tank Water Heater Manufacturers, Cleveland, Ohio.
 Association Tank Water Heater Manufacturers, Cleveland, Ohio.
 Distillate Burner Manufacturers Association, Gardner, Mass.
 Eastern Supply Association, New York, N. Y.
 Heat Exchange Institute, New York, N. Y.
 Industrial Unit Heater Association, Detroit, Mich.
 Institute of Boiler and Radiator Manufacturers, New York, N. Y.

Institute of Cooking and Heating Appliance Manufacturers, Inc., Washington, D. C.
 National Warm Air Heating and Air Conditioning Association, Columbus, Ohio.
 National Warm Air Register Manufacturers Institute, Columbus, Ohio.
 Non-Ferrous Hot Water Tank Manufacturers Association, Inc., Boston, Mass.
 Oil Burner Institute, Inc., New York, N. Y.
 Plumbing and Drainage Specialty Manufacturers Association, Ypsilanti, Mich.
 Sanitary Brass Institute, Pittsburgh, Pa.
 Sanitary Cast Iron Enamel Ware Association, Pittsburgh, Pa.
 Steel Heating Boiler Institute, Middletown, Pa.
 Stoker Manufacturers Association, Chicago, Ill.
 Tubular Plumbing Goods Institute, New York, N. Y.
 Valve and Fittings Institute, New York, N. Y.

Fabricated structural steel and ornamental metalwork

American Institute of Steel Construction, Inc., New York, N. Y.
 Metal Lath Manufacturers Association, Chicago, Ill.
 Metal Window Institute, Washington, D. C.
 National Metal Compartment Association, Cleveland, Ohio.
 National Metallic Wall Structure Association, Cleveland, Ohio.
 Open Steel Flooring Institute, Inc., Pittsburgh, Pa.
 Pacific Coast Steel Fabricators' Association, San Francisco, Calif.
 Southern Association of Ornamental Metal Manufacturers, Washington, D. C.
 Steel Joist Institute, Chicago, Ill.
 Steel Plate Fabricators Association, Chicago, Ill.
 Transportation Metal Sash Institute, New York, N. Y.

Tinware and miscellaneous iron and steel products

American Hot-Dip Galvanizers Association, Inc., Pittsburgh, Pa.
 American Institute of Bolt, Nut, and Rivet Manufacturers, Cleveland, Ohio.
 Association of Manufacturers of Chilled Car Wheels, Chicago, Ill.
 Bank and Security Vault Manufacturers Association, New York, N. Y.
 Chain Institute, Inc., Chicago, Ill.
 Commercial Cap Screw Statistical Bureau, New York, N. Y.
 Corrugated Metal Pipe Association of New England, Boston, Mass.
 Crown Manufacturers Association of America, Washington, D. C.
 Drop Forging Association, Cleveland, Ohio.
 Forging Manufacturers Association, Inc., New York, N. Y.
 Formed Steel Tube Institute, New York, N. Y.
 Galvanized Ware Manufacturers Council, Cleveland, Ohio.
 Leaf Spring Institute, Detroit, Mich.
 Machinists Vise Association, Cleveland, Ohio.
 Machine Screw Nut Bureau, New York, N. Y.
 Manganese Track Society, East St. Louis, Ill.
 Metal Treating Institute, Inc., Chicago, Ill.
 Milk and Ice Cream Can Institute, Cleveland, Ohio.
 National Metal Spinners Association, Inc., New York, N. Y.
 National Screw Machine Products Association, Cleveland, Ohio.
 Plain Washer Manufacturers Association, Milwaukee, Wis.
 Porcelain Enamel Institute, Chicago, Ill.
 Railway and Industrial Spring Association, New York, N. Y.
 Safe Manufacturers National Association, New York, N. Y.
 Seamless Steel Tube Institute, New York, N. Y.
 Sheet Metal Screw Statistical Service, New York, N. Y.
 Socket Screw Products Bureau, New York, N. Y.
 Spring Washer Institute, New York, N. Y.
 Steel Barrel Manufacturers Council, Cleveland, Ohio.
 Steel Package Manufacturers Institute, Cleveland, Ohio.
 Tinware Manufacturers Council, Cleveland, Ohio.
 Tubular and Split Rivet Council, New York, N. Y.
 United States Cap Screw Service Bureau, New York, N. Y.
 United States Machine Screw Service Bureau, New York, N. Y.
 United States Wood Screw Service Bureau, New York, N. Y.

TRANSPORTATION EQUIPMENT (EXCEPT AUTOMOBILES)

Railroad equipment

American Railway Car Institute, New York, N. Y.
 Locomotive Institute, New York, N. Y.
 National Railway Appliance Association, Chicago, Ill.
 Railway Appliance Manufacturers Association, Chicago, Ill.
 Railway Business Association, Chicago, Ill.
 Railway Electric Supply Manufacturers Association, Chicago, Ill.
 Railway Safety Appliance Association, New York, N. Y.
 Railway Supply Manufacturers Association, Pittsburgh, Pa.

Miscellaneous transportation equipment

Aeronautical Chamber of Commerce of America, Washington, D. C.
 Bicycle Manufacturers Association of America, Cleveland, Ohio.
 Cycle Trades of America, Inc., New York, N. Y.
 Manufacturers Aircraft Association, Inc., New York, N. Y.
 Marine Trades Association, Inc., New York, N. Y.
 Motorcycle and Allied Trades Association, Columbus, Ohio.
 National Association of Engine and Boat Manufacturers, Inc., New York, N. Y.
 National Council of American Shipbuilders, New York, N. Y.
 Pacific Coast Dry Dock Association, San Francisco, Calif.

NONFERROUS METALS AND THEIR PRODUCTS

Aluminum, zinc, lead, and copper mining, smelting, refining, and basic-product fabrication

Aluminum Association, New York, N. Y.
 Aluminum Research Institute, Chicago, Ill.
 American Zinc Institute, Inc., New York, N. Y.
 Copper and Brass Mill Products Association, New York, N. Y.
 Copper and Brass Research Association, New York, N. Y.
 Copper Institute, New York, N. Y.
 Lead Industries Association, New York, N. Y.
 Non-Ferrous Ingot Metal Institute, Chicago, Ill.
 Tri-State Zinc and Lead Ore Producers Association, Picher, Okla.
 United States Copper Association, New York, N. Y.

Miscellaneous nonferrous metal products

Alloy Casting Association, Inc., New York, N. Y.
 Alloy Tank Manufacturers Council, Cleveland, Ohio.
 Aluminum Wares Association, Pittsburgh, Pa.
 American Die Casting Institute, New York, N. Y.
 American Watch Assemblers Association, Inc., New York, N. Y.
 Brass Forging Association, New York, N. Y.
 Clock Manufacturers Association of America, New York, N. Y.
 Collapsible Tube Manufacturers Association, New York, N. Y.
 Furnace Fittings Institute, Cleveland, Ohio.
 Jewelers Board of Trade (manufacturing jewelers' board of trade), Providence, R. I.
 Jewelry Crafts Association, Inc., New York, N. Y.
 Masters Electro-Plating Association, New York, N. Y.
 Metal Paper Fastener Institute, New York, N. Y.
 National Lamp and Shade Manufacturers Association, Inc., New York, N. Y.
 New England Manufacturing Jewelers and Silversmiths Association, Providence, R. I.
 Photo-Engravers Zinc and Copper Grinders Association, Brooklyn, N. Y.
 Roll Leaf Manufacturers Association, Inc., New York, N. Y.
 Sterling Silversmiths Guild of America, New York, N. Y.
 United States Gold Leaf Manufacturers Association, Hicksville, N. Y.

ELECTRICAL APPARATUS AND SUPPLIES

Copper Wire Engineering Association, Washington, D. C.
 Dry Battery Manufacturers Association, New York, N. Y.
 Electric Fuse Manufacturers Guild, New York, N. Y.

Electrical Solderless Service Connector Institute, New York, N. Y.
 Incandescent Lamp Manufacturers Association, New York, N. Y.
 Industrial Truck Statistical Association, Chicago, Ill.
 National Battery Manufacturers Association, Inc., New York, N. Y.
 National Electrical Manufacturers Association, New York, N. Y.
 Pacific Coast Electrical Association, Inc., San Francisco, Calif.
 Radio Manufacturers Association, Washington, D. C.
 Resistance Welder Manufacturers Association, Philadelphia, Pa.
 RLM Standards Institute, Inc., Des Plaines, Ill.
 Vacuum Cleaner Manufacturers Association, Cleveland, Ohio.
 Varnished Tubing Association, Inc., New York, N. Y.

MACHINERY (EXCEPT ELECTRICAL)

Special industrial machinery

American Shuttle Manufacturers Association, Paterson, N. J.
 Association of Manufacturers of Wood Working Machinery, Chicago, Ill.
 Bakery Equipment Manufacturers Association, New York, N. Y.
 Barn Equipment Association, Milwaukee, Wis.
 Beater, Jordan and Allied Equipment Manufacturers Association of the Pulp and Paper Industry, Wabash, Ind.
 Canning and Packing Machinery Institute, Chicago, Ill.
 Card Clothing Manufacturers Association, New York, N. Y.
 Counter Freezer Association, Chicago, Ill.
 Dairy and Ice Cream Machinery and Supplies Association, Inc., New York, N. Y.
 Diamond Core Drill Manufacturers Association, New York, N. Y.
 Electric Hoist Manufacturers Association, New York, N. Y.
 Electric Overhead Crane Institute, New York, N. Y.
 Farm Equipment Institute, Chicago, Ill.
 Foundry Equipment Manufacturers Association, Inc., Cleveland, Ohio.
 Foundry Supply Manufacturers Association, New York, N. Y.
 Hand Chain Hoist Institute, Inc., Chicago, Ill.
 Hydraulic Machinery Manufacturers Association, New York, N. Y.
 Industrial Furnace Manufacturers Association, Inc., New York, N. Y.
 Knitting Machine Manufacturers' Association of the U. S. A., Philadelphia, Pa.
 Machinery and Allied Products Institute, Chicago, Ill.
 Meat Machinery Manufacturers Institute, Chicago, Ill.
 Metal Cutting Tool Institute, Hartford, Conn.
 Mine Tool Association, Pittsburgh, Pa.
 Mixer Manufacturers Bureau, Washington, D. C.
 National Association of Printers Roller Manufacturers, Philadelphia, Pa.
 National Association of Textile Machinery Manufacturers, Boston, Mass.
 National Machine Tool Builders Association, Cleveland, Ohio.
 National Printing Equipment Association, New York, N. Y.
 Oil Mill Machinery and Supply Association, Dallas, Tex.
 Poultry Equipment Association, Milwaukee, Wis.
 Pulp and Paper Machinery Association, New York, N. Y.
 Ring Traveler Manufacturers Association, Chicago, Ill.
 Rolling Mill Machinery and Equipment Association, Pittsburgh, Pa.
 Southern Plow Manufacturers Association, Inc., Memphis, Tenn.
 Tank Association, Tulsa, Okla.
 Water Softener and Filter Institute, Chicago, Ill.

General industrial machinery

Air Conditioning Manufacturers Association, Washington, D. C.
 American Gear Manufacturers Association, Wilkinsburg, Pa.
 Anti-Friction Bearing Manufacturers Association, Inc., New York, N. Y.
 Association of Lift Truck and Portable Elevator Manufacturers, Stamford, Conn.
 Association of Roller and Silent Chain Manufacturers, Indianapolis, Ind.
 Association of Sprocket Chain Manufacturers, Chicago, Ill.
 Commercial Refrigerator Manufacturers Association, Chicago, Ill.
 Compressed Air Institute, New York, N. Y.
 Conveyor Association, Chicago, Ill.
 Diesel Engine Manufacturers Association, New York, N. Y.
 Dust Control Equipment Association, Cleveland, Ohio.

Flexible Metal Hose and Tubing Institute, New York, N. Y.
 Gasoline Pump Manufacturers Association, New York, N. Y.
 Hydraulic Institute, New York, N. Y.
 Internal Combustion Engine Institute, Chicago, Ill.
 Machine Knife Association, Wabash, Ind.
 Malleable Chain Manufacturers Institute, Chicago, Ill.
 Monorail Manufacturers Association, New York, N. Y.
 Multiple V-Belt Drive Association, Chicago, Ill.
 National Association of Fan Manufacturers, Detroit, Mich.
 National Association of Steam and Fluid Specialty Manufacturers, Philadelphia, Pa.
 National Automatic Sprinkler Association, New York, N. Y.
 National Elevator Manufacturing Industry, Inc., New York, N. Y.
 National Metal Trades Association, Chicago, Ill.
 National Spray Painting and Finishing Association, Toledo, Ohio.
 Packaging Machinery Manufacturers Institute, Inc., New York, N. Y.
 Power Transmission Association, Chicago, Ill.
 Refrigerating Machinery Association, Washington, D. C.
 Refrigeration Supplies and Parts Manufacturers Association, Chicago, Ill.

Store, office, household, and service-industry machinery

American Washer and Ironer Manufacturers Association, Chicago, Ill.
 Carbon Paper and Inked Ribbon Association, New York, N. Y.
 Laundry and Cleaners Allied Trades Association, New York, N. Y.
 Laundry and Dry Cleaners Machinery Manufacturers Association, New York, N. Y.
 National Association of Coin-Operated Machine Manufacturers, Chicago, Ill.
 Office Equipment Manufacturers Institute, New York, N. Y.
 Sewing Machine Trade Association, New York, N. Y.
 Washing Machine Parts Manufacturers Council, Cleveland, Ohio.

AUTOMOBILES AND AUTOMOBILE EQUIPMENT

Automobile Manufacturers Association, Inc., New York, N. Y.
 Automotive Electric Association, Detroit, Mich.
 Automotive Parts and Equipment Manufacturers, Inc., Detroit, Mich.
 Motor and Equipment Manufacturers Association, New York, N. Y.
 Motor Fire Apparatus Manufacturers Association, New York, N. Y.
 National Standard Parts Association, Detroit, Mich.
 National Truck Tank Association, Chicago, Ill.

MISCELLANEOUS MANUFACTURING INDUSTRIES

Professional and scientific instruments, equipment, and supplies

American Dental Trade Association, Washington, D. C.
 American Surgical Trade Association, Chicago, Ill.
 Better Vision Institute, New York, N. Y.
 Dental Manufacturers of America, Inc., New York, N. Y.
 Gage Manufacturers Association, Worcester, Mass.
 Industrial Instrument Manufacturers Statistical Service, New York, N. Y.
 New England Dental Trade Association, Washington, D. C.
 Optical Manufacturers Association, New York, N. Y.
 Scientific Apparatus Makers of America, Chicago, Ill.
 Wholesale Surgical Trade Association of America, Danbury, Conn.

Toys and sporting and athletic goods

Associated Fishing Tackle Manufacturers, Chicago, Ill.
 Athletic Goods Manufacturers Association, Chicago, Ill.
 Golf Ball Manufacturers Association, New York, N. Y.
 National Association of Golf Club Manufacturers, New York, N. Y.
 Tennis Racket Manufacturers Association, Pawtucket, R. I.
 Toy Manufacturers of the U. S. A., Inc., New York, N. Y.

Other industries

American Brush Manufacturers Association, Philadelphia, Pa.
 American Button Mould Manufacturers Association, Inc., New York, N. Y.
 American Supply and Machinery Manufacturers Association, Inc., Pittsburgh, Pa.
 Advertising Specialty National Association, Washington, D. C.
 Bridge and Building Supply Men's Association, Chicago, Ill.
 Canning Machinery and Supplies Association, Battle Creek, Mich.
 Chemical Fire Extinguishers Association, Inc., New York, N. Y.
 Claude Associates, New York, N. Y.
 Covered Button and Buckle Creators, Inc., New York, N. Y.
 Crayon, Water Color and Craft Institute, Inc., New York, N. Y.
 Curry Comb Institute, New York, N. Y.
 Fur Dresses and Fur Dryers Association, Inc., New York, N. Y.
 Fur Dyers Trade Council, Inc., New York, N. Y.
 Hat Block and Die Makers Association, Inc., New York, N. Y.
 Industrial Safety Equipment Association, New York, N. Y.
 Lead Pencil Association, Inc., New York, N. Y.
 Marking Device Association, Chicago, Ill.
 National Association of Band Instrument Manufacturers, New York, N. Y.
 National Association of Button Manufacturers, New York, N. Y.
 National Association of Catholic Publishers and Dealers in Church Goods, New York, N. Y.
 National Association of Curled Hair Manufacturers, New York, N. Y.
 National Association of Musical Merchandise Manufacturers, Inc., New York, N. Y.
 National Association of Silo Manufacturers, Norwich, N. Y.
 National Broom Manufacturers' Association, Arcola, Ill.
 National Gift and Art Association, Inc., New York, N. Y.
 National House Furnishing Manufacturers Association, Chicago, Ill.
 National Paper Box Supplies Association, Summit, N. J.
 National Piano Manufacturers Association of America, Inc., New York, N. Y.
 National School Supplies and Equipment Association, Chicago, Ill.
 National Sign Association, Denver, Colo.
 Natural Gasoline Supply Men's Association, Tulsa, Okla.
 Pencil Makers Association, Hoboken, N. J.
 Pin Manufacturers Institute, New York, N. Y.
 Producers' Council, Inc., New York, N. Y.
 Slide Fastener Manufacturers Association of America, New York, N. Y.
 Stationers and Publishers Board of Trade, Inc., New York, N. Y.
 Water Works Manufacturers Association, Inc., New York, N. Y.

CONSTRUCTION—GENERAL AND SPECIAL TRADE CONTRACTORS

American Association of Water Well Contractors, Providence, R. I.
 American Concrete Contractors Association, Chicago, Ill.
 Associated General Contractors of America, Inc., Washington, D. C.
 Contracting Plasterers International Association, Detroit, Mich.
 Heating, Piping, and Air Conditioning Contractors National Association, New York, N. Y.
 Mason Contractors Association of the United States, Inc., Washington, D. C.
 National Association of Master Plumbers of the United States, Washington, D. C.
 National Association of River and Harbor Contractors, New York, N. Y.
 National Electrical Contractors Association, New York, N. Y.
 National Erectors Association, New York, N. Y.
 National Stone Setting Contractors Association, New York, N. Y.
 National Terrazzo and Mosaic Association, Washington, D. C.
 New England Road Builders Association, Boston, Mass.
 Painting and Decorating Contractors of America, Peoria, Ill.
 Tile and Mantel Contractors' Association of America, Inc., Washington, D. C.
 United Roofing Contractors Association, New York, N. Y.
 Western Tri-State Council of Painting and Decorating Contractors of America, Denver, Colo.

WHOLESALE TRADE

Dry goods and apparel

American Association of Felt and Straw Goods Importers, Inc., New York, N. Y.
 Association of Cotton Textile Merchants of New York, New York, N. Y.
 Burlap and Jute Association, New York, N. Y.
 Independent Wholesale Dry Goods Association, Inc., New York, N. Y.
 Linen Trade Association, Inc., New York, N. Y.
 National Infant's, Children's and Junior Wear Industries, Inc., New York, N. Y.
 National Woolens and Trimmings Association, New York, N. Y.
 Textile Board of Trade, New York, N. Y.
 Textile Fabrics Association, New York, N. Y.
 Textile Quality League, Inc., New York, N. Y.
 Upholstery and Decorative Fabrics Association (uptown division), New York, N. Y.
 Wholesale Dry Goods Institute, New York, N. Y.

Groceries, beverages, tobacco, and food specialties

Associated Coffee Industries of America, New York, N. Y.
 Associated Importers of Food Products, New York, N. Y.
 Association of American Importers of Green Olives, New York, N. Y.
 Association of Food Distributors, New York, N. Y.
 Date Industries Association, Urbana, Ohio.
 Egg Products Association, Inc., New York, N. Y.
 Green Coffee Association of New York City, Inc., New York, N. Y.
 Institute of American Poultry Industries, Chicago, Ill.
 Missouri Valley Wholesale Grocers Association, St. Joseph, Mo.
 National-American Wholesale Grocers' Association, New York, N. Y.
 National Association of Alcoholic Beverage Importers, Inc., Washington, D. C.
 National Association of Flour Distributors, Chicago, Ill.
 National Association of Tobacco Distributors, Inc., New York, N. Y.
 National Food Brokers Association, Indianapolis, Ind.
 National League of Wholesale Fresh Fruit and Vegetable Distributors, Washington, D. C.
 National Poultry, Butter and Egg Association, Chicago, Ill.
 National Sugar Brokers Association, New York, N. Y.
 National Wholesale Liquor Dealers Association, Inc., Boston, Mass.
 Olive Oil Association of America, Inc., New York, N. Y.
 Pacific Coast Coffee Association, San Francisco, Calif.
 Pacific States Butter, Egg, Cheese and Poultry Association, San Francisco, Calif.
 Restaurant and Hotel Supply Dealers Association, Inc., Chicago, Ill.
 Tea Association of the United States of America, New York, N. Y.
 United Fresh Fruit and Vegetable Association, Chicago, Ill.
 United States Wholesale Grocers Association, Inc., Washington, D. C.

Fur and products—raw materials

American Cotton Shippers Association, Memphis, Tenn.
 American Fur Merchants Association, Inc., New York, N. Y.
 American Rabbit Dealers Association, Inc., New York, N. Y.
 Atlantic Cotton Association, Atlanta, Ga.
 Boston Wool Trade Association, Boston, Mass.
 California-Arizona Cotton Association, Los Angeles, Calif.
 Cocoa Merchants Association of America, Inc., New York, N. Y.
 Fur Brokers Association, Inc., New York, N. Y.
 International Silk Guild, Inc., New York, N. Y.
 Leaf Tobacco Board of Trade of the City of New York, New York, N. Y.
 National Wool Trade Association, Boston, Mass.
 New England Cotton Buyers Association, Boston, Mass.
 Northwest Country Elevator Association, Minneapolis, Minn.
 Raw Silk Importers, Inc., New York, N. Y.
 Southeastern Peanut Association, Albany, Ga.
 Southern Cotton Shippers Association, Memphis, Tenn.
 Terminal Elevator Grain Merchants Association, Milwaukee, Wis.
 Tobacco Association of United States, Greenville, N. C.
 United States Hemp Brokers Association, New York, N. Y.
 Virginia-Carolina Peanut Association, Suffolk, Va.

Lumber and construction materials, including plumbing and heating

Central Sash and Door Jobbers Association, Chicago, Ill.
 Central Supply Association, Chicago, Ill.
 Intercoastal Lumber Distributors Association, New York, N. Y.
 Jobbers Credit Association, Inc., New York, N. Y.
 Mid-Northern Woodwork Association, Davenport, Iowa.
 National-American Wholesale Lumber Association, Inc., New York, N. Y.
 National Association of Hardwood Wholesalers, Chicago, Ill.
 National Association of Woodwork Jobbers, Chicago, Ill.
 National Glass Distributors Association, Chicago, Ill.
 National Lumber Exporters Association, Memphis Tenn.
 National Supply Association, Boston, Mass.
 New England Wholesale Lumber Association, Inc., Boston, Mass.
 Pacific Coast Wholesale Hardwood Distributors Association, San Francisco, Calif.
 Pacific Northwest Wholesale Sash and Door Association, Tacoma, Wash.
 Philippine Mahogany Manufacturers Import Association, Inc., Los Angeles, Calif.
 Plumbing and Heating Wholesalers of New England, Inc., Boston, Mass.
 Southern Sash and Door Jobbers Association, Memphis, Tenn.
 Southern Wholesalers Association, Atlanta, Ga.

Machinery, equipment, and supplies, including hardware and electrical products

Amalgamated Hotel and Restaurant Supply Credit Association, Inc., New York, N. Y.
 Associated Equipment Distributors, Cincinnati, Ohio.
 Associated Machine Tool Dealers of America, Philadelphia, Pa.
 Beauty and Barber Supply Institute, Inc., New York, N. Y.
 Central States Mill Supply Association, Chicago, Ill.
 Eastern Electrical Wholesalers Association, Inc., New York, N. Y.
 National Association of Bakers' and Confectionery Supply Houses, Buffalo, N. Y.
 National Contract Hardware Association, Pittsburgh, Pa.
 National Electrical Wholesalers Association, New York, N. Y.
 National Leather and Shoe Finders Association, St. Louis, Mo.
 National Refrigeration Supply Jobbers Association, Chicago, Ill.
 National Supply and Machinery Distributors Association, Philadelphia, Pa.
 National Wholesale Hardware Association, Philadelphia, Pa.
 New England Iron and Hardware Association, Boston, Mass.
 Southern Hardware Jobbers Association, Atlanta, Ga.
 Southern Supply and Machinery Distributors Association, Inc., Richmond, Va.

Miscellaneous wholesale trades

American Coal Distributors Association, Washington, D. C.
 American Gum Importers Association, Inc., New York, N. Y.
 American Seed Trade Association, Cleveland, Ohio.
 American Steel Warehouse Association, Inc., Cleveland, Ohio.
 American Tin Trade Association, New York, N. Y.
 Association of American Wood Pulp Importers, New York, N. Y.
 Association of Cotton Yarn Distributors, Philadelphia, Pa.
 Central States Paper Trade Association, Cincinnati, Ohio.
 Concrete Reinforcing Steel Institute, Chicago, Ill.
 Dixie Interstate, Hillsdale, Mich.
 Eastern Paper Mills Supplies Association, New York, N. Y.
 Federal Wholesale Druggists Association, Inc., Baltimore, Md.
 Grain and Feed Dealers National Association, St. Louis, Mo.
 Independent Oil Men's Association of New England, Inc., Somerville, Mass.
 Institute of Scrap Iron and Steel, Inc., New York, N. Y.
 Kapoc Association, New York, N. Y.
 Linseed Association of New York, New York, N. Y.
 Maryland and D. C. Paper Trade Association, Baltimore, Md.
 Middle Atlantic Automotive Jobbers Association, Reading, Pa.
 Middle States Wrapping Paper Association, Cincinnati, Ohio.
 Motor and Equipment Wholesaler Association, Chicago, Ill.
 National Association of Musical Merchandise Wholesalers, New York, N. Y.
 National Association of Waste Material Dealers, Inc., New York, N. Y.
 National Automotive Parts Association, Detroit, Mich.
 National Bortie Jobbers Association, Chicago, Ill.

National Burlap Bag Dealers Association, Inc., New York, N. Y.
 National Oil Marketers Association, Inc., Washington, D. C.
 National Paper Trade Association of the United States, Inc., New York, N. Y.
 National Sanitary Supply Association, Milwaukee, Wis.
 National Sporting Goods Association, Kansas City, Mo.
 National Wall Paper Wholesalers Association, New York, N. Y.
 National Wheel and Rim Association, Inc., Detroit, Mich.
 National Wholesale Druggists Association, New York, N. Y.
 National Wholesale Furniture Association, Chicago, Ill.
 National Wholesale Jewelers Association, Philadelphia, Pa.
 New England Paper Merchants Association, Boston, Mass.
 Northwest Petroleum Association, Minneapolis, Minn.
 Northwestern Paper Trade Association, Minneapolis, Minn.
 Optical Wholesalers Association of New York, Inc., New York, N. Y.
 Optical Wholesalers National Association, Inc., New York, N. Y.
 Oriental Rug Importers Association, Inc., New York, N. Y.
 Pacific Northwest Grain Dealers Association, Spokane, Wash.
 Paper Association of New York City, New York, N. Y.
 Precious Stone Dealers Association, New York, N. Y.
 Rubber Trade Association of New York, Inc., New York, N. Y.
 Southeastern Paper Trade Association, Charlotte, N. C.
 Southern Paper Trade Association, New Orleans, La.
 Southern Seedmen's Association, Jacksonville, Fla.
 Sponge Institute, New York, N. Y.
 Texas Grain and Feed Dealers Association, Fort Worth, Tex.
 Tri-State Wrapping Paper Association, Cincinnati, Ohio.
 United States Shellac Importers Association, Inc., New York, N. Y.
 Western Grain and Feed Dealers Association, Des Moines, Iowa.
 Western Paper Merchants Association, Chicago, Ill.
 Western Seedsmen's Association, St. Louis, Mo.
 Wholesale Stationers' Association of the United States of America, Inc., New York, N. Y.

RETAIL TRADE

Food and liquor

Associated Retail Bakers of America, Chicago, Ill.
 Associated Retail Confectioners of the United States, Chicago, Ill.
 Association of New England Milk Dealers, Inc., Worcester, Mass.
 Greater New York-New Jersey Milk Institute, Inc., New York, N. Y.
 International Association of Milk Dealers, Chicago, Ill.
 Manufacturing Retail Bakers Association of the Eastern States, Brooklyn, N. Y.
 Milk Industry Foundation, New York, N. Y.
 Milk Research Council, Inc., New York, N. Y.
 National Association of Food Chains, Washington, D. C.
 National Association of Retail Grocers of U. S., Chicago, Ill.
 National Association of Retail Meat Dealers, Inc., Chicago, Ill.
 National Restaurant Association, Chicago, Ill.
 National Retail Liquor Package Stores Association, Inc., New York, N. Y.
 National Retail Tea and Coffee Merchants Association, Chicago, Ill.
 Super Market Institute, Inc., New York, N. Y.

Apparel and general merchandise

Limited Price Variety Stores Association, Inc., New York, N. Y.
 Mail Order Association of America, Chicago, Ill.
 Middle Atlantic Shoe Retailers Association, Philadelphia, Pa.
 National Association of Apparel Chains, Inc., New York, N. Y.
 National Association of Merchant Tailors of America, New York, N. Y.
 National Association of Retail Clothiers and Furnishers, Chicago, Ill.
 National Council of Shoe Retailers, Inc., New York, N. Y.
 National Industrial Stores Association, Washington, D. C.
 National Retail Dry Goods Association, New York, N. Y.
 National Shoe Retailers Association of the United States of America, New York, N. Y.
 Northwestern Shoe Retailers Association, Minneapolis, Minn.
 Pacific Northwest Shoe Retailers, Seattle, Wash.
 Retail Dry Goods Association, New York, N. Y.
 Retail Manufacturing Furriers of America, Inc., New York, N. Y.

Drug stores

Associated Chain Drug Stores, New York, N. Y.
 National Association of Chain Drug Stores, New York, N. Y.
 National Association of Retail Druggists, Chicago, Ill.
 National Independent Pharmacists, Inc., New York, N. Y.

Lumber and building materials, including hardware

Eastern Federation of Farm Equipment Dealers Associations, Philadelphia, Pa.
 Hardware Association of the Carolinas, Charlotte, N. C.
 Intermountain Hardware and Implement Association, Boise, Idaho.
 Middle Atlantic Lumbermens Association, Philadelphia, Pa.
 Mid-West Implement Dealers Association, Council Bluffs, Iowa.
 Mississippi Valley Farm Equipment Association, St. Louis, Mo.
 Mountain States Hardware and Implement Association, Inc., Boulder, Colo.
 Mountain States Lumber Dealers Association, Denver, Colo.
 National Federation of Implement Dealers, Kansas City, Mo.
 National Retail Hardware Association, Indianapolis, Ind.
 National Retail Lumber Dealers Association, Washington, D. C.
 New England Hardware Dealers Association, Inc., Boston, Mass.
 North Coast Hardware and Implement Dealers Association, Seattle, Wash.
 Northeastern Retail Lumbermens Association, Rochester, N. Y.
 Northwestern Lumbermens Association, Minneapolis, Minn.
 Pacific Northwest Hardware and Implement Association, Inc., Spokane, Wash.
 Pennsylvania and Atlantic Seaboard Hardware Association, Inc., Philadelphia, Pa.
 Southwestern Lumbermen's Association, Kansas City, Mo.
 Western Retail Implement and Hardware Association, Kansas City, Mo.
 Western Retail Lumbermens Association, Spokane, Wash.

Automotive dealers and filling stations

Kansas City Motor Car Dealers Association, Kansas City, Mo.
 National Association of Independent Tire Dealers, Inc., New York, N. Y.
 National Association of Petroleum Retailers, Milwaukee, Wis.
 National Automobile Dealers Association, Detroit, Mich.

Miscellaneous retail trades

American Booksellers Association, Inc., New York, N. Y.
 American Institute of Decorators, New York, N. Y.
 American National Retail Jewelers Association, New York, N. Y.
 Associated Credit Jewelers of New York and New Jersey, New York, N. Y.
 Central Retail Feed Association, Milwaukee, Wis.
 Eastern Federation of Feed Merchants, Inc., Glen Ridge, N. J.
 Electrical Appliance Dealers' Association of Alabama and West Florida, Birmingham, Ala.
 Home Furnishers Association of New England, Boston, Mass.
 Jewelers' Security Alliance of the United States, New York, N. Y.
 Maryland-Delaware-District of Columbia Jewelers Association, Baltimore, Md.
 Memorial Craftsmen of America, Inc., Chicago, Ill.
 National Association of College Stores, New York, N. Y.
 National Association of Credit Jewelers, Chicago, Ill.
 National Association of Music Merchants, Inc., New York, N. Y.
 National Association of Sheet Music Dealers, Boston, Mass.
 National Automatic Merchandising Association, Chicago, Ill.
 National Luggage Dealers Association, Utica, N. Y.
 National Mail Order Nurserymens Association, Sawyer, Mich.
 National Photographic Dealers Association, Inc., New York, N. Y.
 National Retail Furniture Association, Chicago, Ill.
 National Retail Musical Instrument Dealers Association, New York, N. Y.
 National Stationers Association, Washington, D. C.
 New England Coal Dealers Association, Boston, Mass.
 Northwestern Retail Coal Dealers Association, Minneapolis, Minn.
 Northwest Florists Association, Walla Walla, Wash.
 Pacific Northwest Feed Association, Inc., Seattle, Wash.
 Pacific Northwest Stationers Association, Portland, Oreg.
 Southern Retail Furniture Association, Charlottesville, Va.

FINANCE AND REAL ESTATE

American Association of Personal Finance Companies, Washington, D. C.
 American Bankers Association, New York, N. Y.
 American Cemetery Owners Association, Jackson, Mich.
 American Finance Conference, Inc., Chicago, Ill.
 American Industrial Bankers Association, Ft. Wayne, Ind.
 American Title Association, Detroit, Mich.
 Association of Commercial Discount Companies, Inc., New York, N. Y.
 Atlantic States Morris Plan Bankers Association, Washington, D. C.
 Auditorium Managers Association, Milwaukee, Wis.
 Central States Morris Plan Bankers Association, Youngstown, Ohio.
 Investment Bankers Association of America, Chicago, Ill.
 Middle Atlantic Conference of Building Owners and Managers, Philadelphia, Pa.
 Morris Plan Bankers Association, Washington, D. C.
 Mortgage Bankers Association of America, Chicago, Ill.
 National Association of Building Owners and Managers, Chicago, Ill.
 National Association of Mutual Savings Banks, New York, N. Y.
 National Association of Real Estate Boards, Chicago, Ill.
 National Association of Sales Finance Companies, Chicago, Ill.
 National Negro Bankers Association, Danville, Va.
 New England Association of Morris Plan Bankers, Waterbury, Conn.
 New York State Bankers Association, New York, N. Y.
 Savings Banks Association of the State of New York, New York, N. Y.
 United States Building and Loan League, Chicago, Ill.

INSURANCE

Life insurance carriers

American Life Convention, Chicago, Ill.
 Association of Life Agency Officers, Hartford, Conn.
 Association of Life Insurance Presidents, New York, N. Y.
 Home Office Life Underwriters Association, New York, N. Y.
 Institute of Home Office Underwriters, Chattanooga, Tenn.
 Life Advertisers Association, Des Moines, Iowa.
 Life Insurance Sales Research Bureau, Hartford, Conn.
 Life Office Management Association, New York, N. Y.

Fire and marine insurance carriers

American Foreign Insurance Association, New York, N. Y.
 American Institute of Marine Underwriters, New York, N. Y.
 Association of Marine Underwriters of the United States, New York, N. Y.
 Board of Fire Underwriters of the Pacific, San Francisco, Calif.
 Cotton Fire and Marine Underwriters, Columbia, S. C.
 Eastern Underwriters Association, New York, N. Y.
 Factory Insurance Association, Hartford, Conn.
 Federation of Mutual Fire Insurance Companies, Chicago, Ill.
 Fire Underwriters Association of the Pacific, San Francisco, Calif.
 General Cover Department, New York, N. Y.
 Great Lakes Underwriting Syndicate, New York, N. Y.
 Improved Risk Mutuals, New York, N. Y.
 Inland Marine Underwriters Association, New York, N. Y.
 Insurance Executives Association, New York, N. Y.
 Interstate Underwriters Board, New York, N. Y.
 Mutual Fire Insurance Association of New England, Boston, Mass.
 National Board of Fire Underwriters of the United States, New York, N. Y.
 Pacific Factory Insurance Association, San Francisco, Calif.
 Rocky Mountain Fire Underwriters Association, Denver, Colo.
 Selected Reinsurance Bureau, Boston, Mass.
 South-Eastern Underwriters Association, Atlanta, Ga.
 Stock Company Association, Washington, D. C.
 Underwriters Service Association, Chicago, Ill.
 United States Salvage Association, New York, N. Y.
 Western Actuarial Bureau, Chicago, Ill.
 Western Factory Insurance Association, Chicago, Ill.

Western Insurance Bureau, Inc., Chicago, Ill.
 Western Loss Association, Chicago, Ill.
 Western Sprinkled Risk Association, Chicago, Ill.
 Western Underwriters Association, Chicago, Ill.

Casualty, fidelity, surety, insurance carriers

Association of Casualty and Surety Executives, New York, N. Y.
 Mutual Casualty Insurance Rating Bureau, Chicago, Ill.
 National Association of Automotive Mutual Insurance Companies, New York, N. Y.
 National Association of Mutual Casualty Companies, New York, N. Y.
 National Automobile Underwriters Association, New York, N. Y.
 National Bureau of Casualty and Surety Underwriters, New York, N. Y.
 Surety Association of America, New York, N. Y.

General and miscellaneous insurance carriers

Associated Aviation Underwriters, New York, N. Y.
 Bureau of Personal Accident and Health Underwriters, New York, N. Y.
 Cotton Insurance Association, Atlanta, Ga.
 Eastern Tornado Insurance Association, New York, N. Y.
 Farm Underwriters Association, Chicago, Ill.
 Florists Hail Association of America, Edwardsville, N. Y.
 Health and Accident Underwriters Conference, Chicago, Ill.
 Industrial Insurers' Conference, Atlanta, Ga.
 National Accident and Health Association, Chicago, Ill.
 National Association of Mutual Insurance Companies, Indianapolis, Ind.
 National Negro Insurance Association, Richmond, Va.
 Pacific Coast Hail Conference, Spokane, Wash.
 Railway Underwriters, Chicago, Ill.
 Southeastern Hail Conference, Greensboro, N. C.
 Sprinkler Leakage Conference, New York, N. Y.
 Underwriters Grain Association, Chicago, Ill.
 Western Conference of Special Risk Underwriters, Chicago, Ill.
 Western Hail and Adjustment Association, Chicago, Ill.
 Western Sprinkler Leakage Conference, Chicago, Ill.

Insurance agents, brokers, and service

National Association of Insurance Agents, New York, N. Y.
 National Association of Insurance Brokers, Inc., New York, N. Y.
 National Association of Life Underwriters, New York, N. Y.*

TRANSPORTATION, COMMUNICATION, AND OTHER PUBLIC UTILITIES

Transportation

Air Transport Association of America, Chicago, Ill.
 American Bureau of Shipping, New York, N. Y.
 American Merchant Marine Institute, Inc., New York, N. Y.
 American Railway Development Association, St. Paul, Minn.
 American Short Line Railroad Association, Washington, D. C.
 American Tool Bridge Association, Burlington, N. J.
 American Transit Association, New York, N. Y.
 American Trucking Association, Inc., Washington, D. C.
 Association of American Railroads, Washington, D. C.
 Association of Marine Terminal Operators, Atlantic Ports, New London, Conn.
 Atlantic Coast and Gulf of Mexico Tow Boat Association, New York, N. Y.
 Central Electric Traffic Association, Indianapolis, Ind.
 Central Freight Association, Chicago, Ill.
 Central Motor Freight Association, Chicago, Ill.
 Central Passenger Association, Chicago, Ill.
 Highway Transport Association, Inc., New York, N. Y.
 Household Goods Carriers' Bureau, Youngstown, Ohio.
 Independent Movers' and Warehousemen's Association, Inc., Washington, D. C.
 Inland Water Petroleum Carriers Association, New York, N. Y.
 Intercoastal Steamship Freight Association, New York, N. Y.

Lake Carriers Association, Cleveland, Ohio.
 Motor Coach and Bus Association of New England, Inc., Boston, Mass.
 National Armored Car Association, Inc., Indianapolis, Ind.
 National Association of Motor Bus Operators, Inc., Washington, D. C.
 National Bus Traffic Association, Chicago, Ill.
 National Perishable Freight Committee, Chicago, Ill.
 New England Freight and Passenger Association.
 New England Passenger Association, Boston, Mass.
 New Orleans Freight Tariff Bureau, New Orleans, La.
 Northeastern Bus Traffic Association, Cleveland, Ohio.
 North Pacific Coast Tariff Bureau, Seattle, Wash.
 Northwest Towboat Association, Seattle, Wash.
 Pacific American Steamship Association, San Francisco, Calif.
 Pacific Coast Custom and Freight Brokers Association, San Francisco, Calif.
 Pacific Freight Tariff Bureau, San Francisco, Calif.
 Shipowners Association of the Pacific Coast, San Francisco, Calif.
 Southern Freight Association, Atlanta, Ga.
 Southern Passenger Association, Atlanta, Ga.
 Southwestern Freight Bureau, St. Louis, Mo.
 Southwestern Passenger Association, St. Louis, Mo.
 Texas-Louisiana Freight Bureau, Dallas, Tex.
 Trans-Continental Freight Bureau, Chicago, Ill.
 Trans-Continental Passenger Association, Chicago, Ill.
 Trunk Line Association, New York, N. Y.
 Trunk Line Passenger Association, New York, N. Y.
 Western Passenger Association, Chicago, Ill.
 Western Trunk Line Committee, Chicago, Ill.

Warehousing and storage

American Ports Cotton Compress and Warehouse Association, New Orleans, La.
 American Warehousemen's Association (Merchandise Division), Chicago, Ill.
 Association of Refrigerated Warehouses, Chicago, Ill.
 Frozen Foods Locker Association of Oregon, Washington, and Idaho, Corvallis, Ore.
 Minnesota-Northwestern Warehousemen's Association, Minneapolis, Minn.
 National Cotton Compress and Cotton Warehouse Association, Inc., New Orleans, La.
 National Furniture Warehousemen's Association, Chicago, Ill.
 Pacific States Cold Storage Warehousemen's Association, San Francisco, Calif.
 Southwestern Compress and Warehouse Association, Dallas, Tex.
 Texas-Southwest Warehouse and Transfermen's Association, Fort Worth, Tex.

Heat, light, power, and communication

American Gas Association, Inc., New York, N. Y.
 Association of Edison Illuminating Companies, New York, N. Y.
 Edison Electric Institute, New York, N. Y.
 Mid-West Gas Association, Sioux City, Iowa.
 National Association of Broadcasters, Washington, D. C.
 National District Heating Association, Pittsburgh, Pa.
 New England Gas Association, Boston, Mass.
 North Central Electric Association, Minneapolis, Minn.
 Pacific Coast Gas Association, Inc., San Francisco, Calif.
 Rocky Mountain Electrical League, Denver, Colo.
 Southern Gas Association, New Orleans, La.
 United States Independent Telephone Association, Chicago, Ill.

PERSONAL, BUSINESS, AND RECREATIONAL SERVICES

Personal services, including hotels

American Cosmeticians National Association, Chicago, Ill.
 American Hotel Association of the United States, New York, N. Y.
 American Institute of Laundering, Inc., Joliet, Ill.
 Associated Master Barbers of America, Chicago, Ill.
 Cremation Association of America, Fresno, Calif.
 Intermountain Hotel Association, Salt Lake City, Utah.

Linen Supply Association of America, Inc., Chicago, Ill.
 Maryland, District of Columbia, and Virginia Laundryowners Association, Washington, D. C.
 National Association of Dyers and Cleaners of the United States and Canada, Silver Springs, Md.
 National Funeral Directors Association of the United States, Inc., Cincinnati, Ohio.
 National Hairdressers and Cosmetologists Association, Inc., Chicago, Ill.
 National Selected Morticians, Inc., Chicago, Ill.
 New England Linen Supply Association, Inc., Boston, Mass.
 Northwestern Hotel Association, Omaha, Nebr.
 Pacific Northwest Launderers and Dry Cleaners, Seattle, Wash.
 Photographers Association of America, Cleveland, Ohio.
 Rocky Mountain Hotel Association, Raton, N. Mex.
 Southern Hotel Association, Inc., Greensboro, N. C.
 Southern Laundryowners Association, Memphis, Tenn.

Business services not elsewhere classified

American Association of Advertising Agencies, New York, N. Y.
 Associated Credit Bureaus of America, Inc., St. Louis, Mo.
 Commercial Law League of America, Chicago, Ill.
 Exclusive Distributors Association, St. Louis, Mo.
 International Association of Blue Print and Allied Industries, Chicago, Ill.
 Mail Advertising Service Association International, Inc., Detroit, Mich.
 National Pest Control Association, Inc., Brooklyn, N. Y.
 Outdoor Advertising Association of America, Inc., Chicago, Ill.
 Outdoor Advertising Association of the Northern States, Austin, Minn.
 Northwestern Association of Advertising Agencies, Dallas, Tex.
 Trade Association of Advertising Distributors, St. Louis, Mo.

Motion picture production and distribution, amusements, and related services

Allied States Association of Motion Picture Exhibitors, Washington, D. C.
 Allied Theatre Owners of Iowa and Nebraska, Eldora, Iowa.
 Allied Theatre Owners of the Northwest, Minneapolis, Minn.
 American Carnivals Association, Rochester, N. Y.
 Association of Motion Picture Producers, Inc., Los Angeles, Calif.
 Intermountain Theatres Association, Salt Lake City, Utah.
 International Association of Fairs and Expositions, Brockton, Mass.
 League of New York Theatres, Inc., New York, N. Y.
 Motion Picture Producers and Distributors of America, Inc., New York, N. Y.
 Motion Picture Theater Owners of America, New York, N. Y.
 Motion Picture Theatre Owners of the Northwest, Seattle, Wash.
 Motion Picture Theatre Owners of St. Louis, Eastern Missouri, and Southern Illinois, St. Louis, Mo.
 National Association of Amusement Parks, Pools, and Beaches, Chicago, Ill.
 Theatre Owners and Managers of the Rocky Mountain Region, Inc., Denver, Colo.

Miscellaneous services

American Beauty Culture Schools Associated, Council Bluffs, Iowa.
 American Hospital Association, Chicago, Ill.
 American Institute of Consulting Engineers, New York, N. Y.
 American Society of Composers, Authors, and Publishers, New York, N. Y.
 Association of Consulting Management Engineers, Inc., New York, N. Y.
 Authors League of America, New York, N. Y.
 Automotive Engine Rebuilders Association, Indianapolis, Ind.
 Automotive Maintenance Industries, Inc., Pittsburgh, Pa.
 National Home Study Council, Washington, D. C.
 National Industrial Service Association, New York, N. Y.
 Southwestern Blacksmiths and Welders Association, Dallas, Tex.

APPENDIX D

TYPES OF STATE AND LOCAL ASSOCIATIONS OF BUSINESSMEN

The number of State and local trade associations in 1938 may be estimated as approximating 6,500.¹ Of these, approximately 5,000 were local and 1,500 were State in scope.

In addition, there were in 1938 approximately 5,400 local chambers of commerce, boards of trade, and similar organizations concerned primarily with the industrial, commercial, and civic betterment of their communities as a whole; and several thousand local organizations of various types devoted to some one special business problem affecting a number of industries or trades, such as credit bureaus, better-business bureaus, traffic clubs, commodity exchanges, advertising clubs, and employers' associations.²

Still another form of cooperative approach to local business problems is through temporary, informal committees and conferences of businessmen. There is no basis for estimating the number of these groups that exist at any time. They often assist in coordinating the work of permanent associations and at times play an important part in local affairs regarding taxation, labor relations, trade practices, and other matters. They may represent all establishments within a certain area of a city or all establishments in a particular line of local trade, such as construction or food distribution.

TRADE ASSOCIATIONS

State and local trade associations are composed predominantly of retail and service establishments. This is in contrast to national and regional associations, the majority of which are organizations of manufacturers. A comparison of the approximate number of trade associations in the manufacturing, distribution, and service fields, is given in the following table. According to these figures, in 1938 only 18 percent of the State and local associations were of manufacturers, whereas 62 percent of the national and regional groups were in this field. On the other hand, retailing and "service and all other" accounted for 75 percent of the State and local associations but only 27 percent of the national and regional associations. State and local trade associations of manufacturers are found in comparatively

¹ This estimate is based on a survey, conducted by the U. S. Department of Commerce during the period 1937-38, of cooperative organizations of businessmen in cities and towns which, according to the 1930 census, had a population of 4,000 and over. The survey was based on information submitted by the district offices of the Department of Commerce, national associations having State and local affiliates, local chambers of commerce, and local postmasters. The survey disclosed approximately 6,100 State and local trade associations. This number was raised by 400 to arrive at the total of 6,500 for cities and towns of all sizes. It is believed that 400 is a reasonably conservative estimate of the number of State and local trade associations in towns of less than 4,000 population.

² See below, pp. 473 ff.

few industries, by far the most prominent being food processing, of which bakeries represent a numerous type, and printing. On the other hand, a substantial proportion of national and regional associations in the retail and service trades are federations of State and local associations.

Number of State and local and national and regional trade associations in the manufacturing, wholesaling, retailing, and service fields, 1938

Industrial field	Number of State and local trade associations ¹	Percent of total	Number of national and regional trade associations ²	Percent of total
Total.....	6, 100	100	1, 505	100
Manufacturing ³	1, 100	18	926	62
Wholesaling.....	400	7	172	11
Retailing.....	2, 800	46	99	7
Service and all other ⁴	1, 800	29	308	20

¹ Estimates based on a 1937-38 survey of State and local trade associations in 2,100 cities of 4,000 population and over—U. S. Department of Commerce. Does not include 400 local associations estimated as being located in towns of less than 4,000.

² Based on a 1938-39 survey of national and regional trade associations—see exhibit I.

³ Also includes mining and fisheries.

⁴ Includes finance, real estate, construction, insurance, transportation, and other public utilities, personal business, and recreational services.

In towns of only a few thousand population there is ordinarily but one formal business group, generally termed the chamber of commerce, board of trade, or commercial club. Adequate support is seldom available for an independent association in any trade, although special committees of the local chamber frequently are organized to serve the needs of particular trades.

In 1935, according to the Census of Business and the Census midyear estimate of population, the average number of establishments per 10,000 population, urban and rural, in each of several leading commodity fields was:

Food stores.....	42
Eating and drinking places.....	20
Apparel, general merchandise, and general stores.....	16
Gasoline filling stations.....	16
Contractors, building material dealers, and allied occupations.....	10-15
Barber and beauty shops and parlors.....	15
Automobile retailers, garages, and related automotive lines.....	10-15

While the above data do not represent the exact pattern for all communities of 10,000 population, they suggest that the average city of 10,000 population ordinarily will not have potential members for more than 3 or 4 formally organized trade associations. And since membership of each of those groups will seldom exceed 50 merchants, generally subscribing monthly dues of from \$1 to \$5 each, the staff is likely to be limited to one part-time person. It is probably true, also, that relatively few businessmen in these small cities have much time for detailed cooperative efforts, inasmuch as they have few or no employees and devote comparatively long hours to their small shops or stores. The association secretary, therefore, cannot depend as a rule on as constant aid from his committees as can be expected under the more favorable circumstances found in larger cities. Nevertheless, he usually establishes committees in a number of the mutual-problem fields and

may accomplish a considerable amount of work, especially during times of local emergencies.

In cities with a population in the neighborhood of 200,000 one is apt to find trade associations of the following:

Advertising agencies.	Building-supply dealers.	Laundrymen.
Apparel stores.	Coal and wood yards.	Milk dealers.
Automobile dealers.	Contractors.	Real estate firms.
Bakery shops.	Druggists.	Restaurants.
Barber shops.	Dry cleaners.	Tobacco shops.
Breweries.	Grocery stores.	Wholesale grocers.
Building owners.	Hardware stores.	

They also are likely to have a better business bureau, a builders exchange, and one or more credit bureaus; and may have an association of manufacturers, known as an industrial or employers' association, devoted largely to labor-relations problems. Examples of the latter type of association in larger cities are the Omaha Manufacturers' Association, the Employers' Association of Milwaukee, and the Associated Industries of Cleveland.

As many as 60 or more State and local trade associations are found in most cities having a population in the neighborhood of 1,000,000. An approximate list of the commodity groups covered by such associations in a typical city of this size is given below:

Automotive:	Construction, building materials, and real estate—Continued.
Automobile dealers and suppliers.	Real estate firms.
Automobile garages.	Wrecking and salvaging contractors.
Filling stations.	Finance and insurance:
Parking-lot owners.	Bankers.
Tire dealers.	Insurance agencies.
Clothing:	Personal finance companies.
Apparel manufacturers.	Savings and loan companies.
Clothing merchants.	Furniture and fixtures:
Department and specialty stores.	Business furniture and stationery stores.
Food:	Electrical and radio stores.
Bakers.	Furniture dealers.
Brewers.	Hardware and paint stores.
Caterers.	Miscellaneous trades:
Commission men.	Advertising agencies.
Confectionery stores.	Advertising distributors.
Food brokers.	Coal and wood yards.
Food manufacturers.	Druggists.
Grocers and fruit and meat dealers.	Motion picture exhibitors.
Ice companies.	Tobacco shops.
Liquor dealers.	Personal service:
Milk distributors.	Barber shops.
Restaurants and drinking places.	Beauty shops.
Wholesale grocers.	Cleaners and dyers.
Construction, building materials, and real estate:	Florists.
Brick and similar material manufacturers.	Funeral directors.
Building material dealers.	Hotels.
Carpenter contractors.	Laundries.
Cement finishing contractors.	Shoe repairers.
Excavating contractors.	Printing and publishing:
General contractors.	Newspaper publishers.
Heating, piping, and air-conditioning contractors.	Photo-engravers.
Lumber dealers.	Typographers.
Mason contractors.	Typothetae (job printers).
Plumbing contractors.	Transportation and warehousing:
Public works contractors.	Motor bus operators.
	Truck operators.
	Warehousemen.

In addition, such special-purpose groups of businessmen and similar organizations as the following are found in a typical city of this size:

Associated industries (or employers' association).	Chamber of commerce (local).
Better business bureau.	Commodity exchange.
Builders exchange (of contractors and materialmen).	Convention and visitors bureau.
Building owners and managers association.	Credit bureau.
Building trades employers (concerned chiefly with labor problems).	Downtown and district improvement associations.
Chamber of commerce (State).	Foreign trade club.
	Paint and varnish production club.
	Purchasing agents association.
	Traffic club.

This city also contains a number of "service clubs," such as the Rotary, Kiwanis, and Lions, and various political, racial, religious, and social organizations to which businessmen belong.

Among the various activities in which they engage, State and local groups tend to emphasize informational services, conventions and conferences, Government relations, trade practices, trade promotion, marketing research, and the republication of statistical material. Informational services take the form of current statistical, legislative, and general news bulletins, monthly magazines, and annual reports. One of the foremost benefits of membership in local trade associations is the opportunity to meet frequently with those engaged in like or similar fields of endeavor for the purpose of discussing current conditions and problems and what is being done about them. Supplementing their own meetings, local associations usually send representatives to major meetings of the State associations in their industries, and both State and local associations often are represented at conventions of regional and national groups. Government relations is an increasing field of endeavor among State and local associations and includes such features as the sponsoring and opposing of State laws and local ordinances, reporting State and local legislative developments, and the preparation of information for various Government agencies. In many instances State, local, and national associations work together on legislative matters affecting their industries. A majority of State and local trade associations at some time or another engage in trade practice matters. This activity is directed at false and misleading advertising and similar practices; and sometimes takes the form of concerted action against price-cutting competitors and the boycotting of manufacturers and wholesalers who sell to such competitors. State and local associations are more active in marketing research than they are in industrial or technical research. Among associations of retailers this activity features studies of operating expenses, stock control, store layout, and trends in consumer preferences, with a view toward reduced costs and increased sales. In promoting trade an aggressive, local association employs such varied methods as cooperative advertising, the holding of shows and exhibitions, and arranging for speakers at gatherings of local consumer clubs, luncheon clubs of businessmen, women's clubs, and chamber of commerce meetings. The majority of State and local associations do not compile original, current statistics. A number of the larger State and local associations, however, republish such statistical data as figures or indexes on local or regional department store sales, automobile sales, postal receipts, business failures, credit sales and collections, volume of public utility business, bank transactions, trends in factory employment and pay rolls,

volume of construction, current revenue from farm crops in adjoining market areas, and the amount of advertising in local newspapers.

A number of State and local associations are able to provide additional services for their members because of their affiliation with national organizations. For example, the National Retail Hardware Association reports that it offers the following services to its affiliated State and local hardware associations:

General information.—Answers questions of every character pertaining to the conduct of a hardware store, including such information as sources of supply for new or obsolete merchandise. Maintains an extensive library of hardware literature.

Store and stock arrangement.—Assists members with store and stock arrangement problems. Standard plans for stores of various sizes are available, as well as designs for a number of practical store fronts and windows. Plans include layout for general arrangement, special fixtures, display stands, and color-scheme suggestions.

Sales promotion.—Helps members with advertising, preparation of store papers, newspaper and other copy. Furnishes detailed plans for special sales and for advertising floats, fair booths, and other matters relating to the promotion of sales.

Research.—Analyzes the probable trend in national and regional business conditions and informs its members concerning how this may be expected to affect prices paid, sales, and profits. Studies the extent and importance of seasonal changes, compares the trend of sales with those of other lines, and weighs the relative influence of industry, agriculture, and other factors upon the hardware business.

Accounting.—Provides a simple accounting system devised especially for the local hardware retailer. Accounting forms and other supplies are kept at national headquarters and sold to members without profit. Improved stock-record forms and inventory sheets also are available.

Annual hardware survey.—The data for this survey are obtained through State and local hardware associations from local merchants throughout the country. The coordinating agency, the national association, compiles reports on average total costs of retailing hardware, with detailed information on and analysis of the major items of cost and average margins and profits by departments, and other facts of interest.

This list is somewhat typical of the services several national retail associations furnish businessmen through and in cooperation with their State and local associations.

Among the larger federations of State and local associations is the National Association of Retail Druggists, formed in 1898. Its membership includes 48 State and over 200 local associations and a total direct and underlying membership of about 27,000 individual druggists. At its 1939 annual convention, reports were presented on such subjects as window and interior display, "National Pharmacy Week," trade relations, and employee training. State and local associations of druggists working with the national association have earned the reputation in recent years of being among the most aggressive trade associations in the field of Government relations. This reputation is based largely upon their success in leading the fight for State and Federal legislation approving resale price maintenance.³

Approximately 450 State and local associations belong to the National Association of Real Estate Boards, formed in 1908; among America's trade associations it has the largest number of affiliated local organizations. The services of State and local associations of real estate firms include the publication of bulletins on local real estate activities, such as current occupancies and vacancies, and of bulletins

³ In this connection see ch. VII above, pp. 336-337.

on legislative matters that affect the realtor and those he is dealing with, and endeavors to lighten the tax burden on real estate ownership. Frequent association meetings afford an interchange of experience concerning practices in maintaining a real estate firm, in advertising, in appraising, in stimulating home building, in dealing with zoning-law problems, and concerning fees and commission charged to the public.

Another trade in which there is an unusually large number of local associations is that of barber shop owners. Most of these groups are affiliated with the Associated Master Barbers of America, formed in 1924. Many barber shops are so small that the owners themselves carry on a great part of the work. Consequently, among association activities in this field are some activities that are characteristic of labor unions, such as sick and death benefits. Probably the majority of its members, however, are employers. Both types of shop owners have united in the local associations and with the national association to—

Elevate the professional ideals of the industry and promote uniform shop practices.

Assist in technical education.

Increase public recognition of modern barbering and beauty culture; and establish a working co-operation between barbers and beauty culturists to educate the public to a wider appreciation and patronage of their services.

The A. M. B. A. sponsored an N. R. A. code for its industry, but, in the words of one of its officials, it was its experience that—

We know that no code or law can serve adequately unless it contains provisions for service price-regulation, because there is a class represented in the profession which has always served to demoralize conditions. Through their price-cutting activities, they have prevented the majority from establishing fair living possibilities. * * *

Due largely to our campaigns for proper license laws, such laws have now been negotiated in 48 States; and we have supported State fair trade practice acts, State barber codes, and local State ordinances. All non-member barber shops are benefited by the work of our Association. Non-members are permitted admission to meetings of our approximately 300 state and local associations, and are allowed to speak but not to vote.

Among the leading national trade associations which during the period 1937-38 cooperated with a large number of State and local associations are those listed below. The number of associations given in the last column in most cases is greater than the number of groups directly affiliated with the national association.

Largest national association in field	Year organized	Approximate number of individual members	Approximate number of State and local associations in the field (not all affiliated with the national association)
National Association of Retail Grocers.....	1892	40,000	500
National Association of Real Estate Boards.....	1908	15,000	500
National Automobile Dealers Association.....	1917	15,000	500
Associated Master Barbers of America.....	1924	5,000	500
National Association of Retail Druggists.....	1898	27,000	250
American Bakers Association.....	1897	1,000	200
American Hotel Association.....	1910	6,000	200
American Institute of Laundering.....	1883	2,500	200
United States Building and Loan League.....	1893	4,000	200
Associated General Contractors of America.....	1919	2,000	150
American Retail Coal Association.....	1936	11,000	150
National Restaurant Association.....	1919	2,500	150
United Typothetae of America.....	1887	1,500	150

Many State and local associations also are affiliated, directly or indirectly, with such coordinating agencies as the National Drug Trade Conference, the National Food and Grocery Conference, the Independent Food Distributors Council, and the Retailers National Council. These groups operate informally, without a permanent staff and with headquarters in the office of one of the national associations within the membership. The National Association of Retail Druggists and the American Pharmaceutical Association—an association of pharmacists and about 3,000 retail druggists—have combined with a number of other national organizations to form the National Drug Trade Conference, thereby uniting their efforts in facing some of the common problems in the production and distribution of drug supplies. In this way they have been a potent force in promoting the establishment of State "fair trade" legislation. A somewhat similar organization is the National Food and Grocery Conference, composed of a number of national associations representing manufacturers and both independent and chain-store distributors. It works closely with State and local associations in broader production and distribution problems in the food industry. The Independent Food Distributors Council is composed of various groups representing the "independent" food merchant. With the Retailers' National Council are affiliated a number of national organizations in such fields as shoes, hardware, jewelry, drygoods, furniture, and food. One of its principal purposes is to exchange views on national legislation affecting the retailer. Seven national and more than 25 State associations of retailers (such as the Nebraska Retailers Association, to which belong many of the retail associations in that State) are members of the American Retail Federation (whose office is in Washington, D. C., and which has a staff of more than 10 persons). This organization, formed in 1935, specializes in legislative studies and other informational services; most of its funds are from department store and other mass-distribution corporations.

The great majority of State and local trade associations in the United States are entirely or almost entirely autonomous in character. Each provides its own finances, appoints its own executive staff, and formulates a program of activities best suited to its individual needs. If a local trade association, holding membership in a national association, engages in questionable activities, the national can do little more than cancel its membership or advise the local group that such actions are apt to result in prosecution by State or Federal agencies.

Despite the fact that the laws of most States specifically condemn monopoly and unfair competition, the burden of policing American business to prevent local restraints of trade has come to rest to a large degree on the shoulders of two Federal Government agencies, the Department of Justice and the Federal Trade Commission. Each of these agencies proceeds against a number of State or local trade associations each year, after affirming that the activity in question tends to obstruct the natural flow of commerce in channels of interstate trade. Their activities having been so determined, State and local trade associations can be prosecuted under sections 1 and 2 of the Sherman Act or under section 5 of the Federal Trade Commission Act.

As has previously been shown, 33 of 125 restraint-of-trade cases instituted by the Department of Justice and the Federal Trade Commission between June 1935 and October 1939 were directed against

State or local groups of businessmen.⁴ In 13 of the 33 cases the primary objective of the members of the respondent groups was to eliminate price competition among themselves. In the remaining cases, the primary objective was to drive from business competitors outside the group. Some of these latter cases involved attempts to control channels of distribution in the locality through the boycott of manufacturers who sold to competitors, such as chain stores and other distributors. Some cases involved activities characterized in the charges as "racketeering." In fact it was only against essentially local groups that charges of racketeering were made by these agencies during this period.

The recent program of the Department of Justice against monopolistic practices in the building construction field in many leading cities is adding appreciably to the number of Federal prosecutions of State and local associations and groups of businessmen. One of the first of these cases to be brought to a conclusion implicated the Electrical Contractors Association, of Pittsburgh, and local No. 5 of the International Brotherhood of Electrical Workers. The association and the labor union, it was alleged, had established a "bid depository system," whereby all member contractors agreed on which firm would submit the lowest bid on any construction job in Pittsburgh, and the labor union agreed to "police the industry" by preventing union labor from working for contractors who were not a party to the agreement. This program also included various methods of preventing nonmembers and out-of-town firms from submitting bids for construction projects in Pittsburgh. According to the Department of Justice, in connection with a large volume of Government construction work on hospitals, schools, playgrounds, bridges, and the like, this combination defrauded the United States of large sums of money. The case was concluded in late 1939, when most of the leading officials of the trade association and the labor union pleaded "nolo contendere." The court thereupon imposed fines, which in some cases exceeded \$5,000.

A recent survey by the Federal Trade Commission of merchandising methods in the automotive industry⁵ touched directly upon practices of State and local trade associations. The Commission found that a number of State and local associations of automobile retailers were attempting by agreement to eliminate dealer competition. Under the heading, "Dealer Price Fixing Activities," the Commission stated, in part:

The Commission finds that local associations of motor-vehicle dealers in various parts of the country have engaged in the following practices to fix or maintain prices: (1) Fixing minimum prices on new cars, often by means of uniform maximum discounts from the manufacturer resale prices where no trade-ins are involved; (2) establishing maximum purchase prices, or allowances, for used cars taken in trade; (3) regulating bidding on used cars taken in trade by means of uniform minimum increases on all bids subsequent to the original bid, or by requiring all bids subsequent to the original bids to be less than the original bid; and (4) adopting published used-car price guides as a basis for maximum allowances for used cars.

The Commission also found that many local associations operated used-car valuation or appraisal bureaus by which dealers in particular

⁴ See ch. III, above, pp. 69 ff.

⁵ Report on Motor Vehicle Industry (1939).

localities bound themselves to restrict competition in used-car trading. With regard to the legal aspects of the problem, the Commission stated:

In general, therefore, the regulation of the activities of such local combinations of dealers becomes a matter to be handled by the law-enforcement agencies of the various States, acting under their respective State laws, the terms of which vary greatly among the approximately 40 States that have enacted State antitrust laws.⁶

OTHER TYPES OF STATE AND LOCAL ORGANIZATIONS OF BUSINESSMEN

Next to the trade association, the most numerous local organization is the chamber of commerce. Known also by such names as commercial associations, boards of trade, development associations, prosperity boards, community leagues, and the like, they are voluntary organizations concerned primarily with the commercial, industrial, and civic development of a community. To such cooperative groups belong not only the more public-spirited businessmen of a community but also many professional men and women and local residents who wish to support a movement to make their city more attractive and desirable to business and the citizenship.

The Department of Commerce survey of business organizations in cities of 4,000 population and over revealed 2,400 chambers of commerce and similar organizations in 2,100 cities during the period 1937-38. Larger cities had several chambers—one covering the city as a whole and others, major areas within the city. Since this survey disclosed approximately 6,100 State and local trade associations, there were about two and one-half times as many trade associations as there were chambers in the communities covered. This proportion, however, varied considerably, and many predominantly rural States had a larger number of chambers than of trade associations. According to a survey made by the Chamber of Commerce of the United States, there were 5,400 community-development organizations in cities and communities of all sizes in 1938.⁷

Chambers of commerce tend to specialize in such matters as better streets, lower taxes, and development of adjoining market areas. The following list of committees of typical large chambers of commerce, however, indicates the scope of interests of this type of American cooperative organization, of which the oldest units are the Chamber of Commerce of the State of New York, formed in 1768, and the Charleston (S. C.) Chamber of Commerce, formed in 1773:

Charities.
City planning.
Community promotion.
Conventions and tourists.
Finance.
Fire and police protection.
Golf courses.
Housing.
Industrial development.
Industrial surveys.
Insurance.
Labor relations.

Legislation.
Manufacturers.
Membership.
Municipal affairs.
National affairs.
Parks and playgrounds.
Public works.
Publications.
Publicity.
Real estate.
Relations with other chambers and trade associations.

⁶ *Ibid.*, p. 1075.

⁷ Chamber of Commerce of the United States, *8,000 Chambers of Commerce Throughout the World* (1938), Washington, D. C.

Research and statistics.
Retail trade.
Rural market areas.
Sanitation.

Schools.
Streets.
Taxation.
Transportation facilities.

The typical staff of chambers of commerce in cities of a few thousand population is a secretary working alone or with 1 assistant. In cities of 100,000 population a staff of 5 or more is often found, increasing to 25 or more in larger cities. The New York City, Chicago, and Los Angeles chambers employ more than 50 persons each to carry on extensive programs of activities aimed to increase the prosperity of the cities and their market areas.

The Chamber of Commerce of the United States, formed in 1912, is the nearest approach in this country to a federation of chambers of commerce. In 1938 it had a total of about 1,100 affiliated chambers. To these members go the current bulletins of its finance, transportation, distribution, commercial organization, and other departments. In addition to these 1,100 chambers, approximately 70 State and 40 local trade associations and 30 local "employers associations," as well as 275 national and regional trade associations, hold membership in the national chamber. Many of these trade groups also are members of the National Association of Manufacturers.

Among the other types of State and local business organizations of which the Department of Commerce has record, credit bureaus are the most numerous. There were probably more than 1,500 in the United States in 1939. Many of those engaged in compiling information on the credit habits of customers of retail stores are affiliated with both the Associated Credit Bureaus of America and the National Retail Credit Association, which occupy joint offices. In 1939 there were about 1,300 local credit bureaus in the membership of the former, and possibly 1,000 of these were cooperatively owned by local merchants. Of the remaining 300, some are maintained by local chambers of commerce, and others are privately owned. In the manufacturing, wholesaling, and financial fields the leading credit association is the National Association of Credit Men. The more than 100 local credit bureaus that belong to this association are located almost entirely in metropolitan centers.

State and local "employers' associations," of which there are several hundred, are concerned primarily with problems arising from labor disputes. Many of them are affiliated with the National Association of Manufacturers. Among such organizations are the Associated Employers of Chicago, Industrial Relations Association of Oregon, Michigan Manufacturers Association, Federated Industries of the State of Washington, and the Associated Industries of Cleveland. Generally speaking, these organizations are composed of business firms in manufacturing, finance, and public utility fields, rather than those in distribution. Such groups seldom have over a few hundred members.

Local advertising clubs are found in most metropolitan centers. They include businessmen engaged in every form of advertising. In 1938 there were 55 clubs, with approximately 10,000 members, that were directly affiliated with the Advertising Federation of America (formerly the Associated Advertising Clubs of America). These clubs seek to raise the standards of practice among competitors in the field of advertising; to improve the use and techniques of advertising; and, in general, promote and extend the use of advertising.

Traffic clubs comprise another fairly common type of local, special-problem organization. Their members represent manufacturers and distributors, as well as firms engaged in various forms of transportation and warehousing. They are concerned with a number of local traffic problems, such as traffic regulations, transportation charges, car distribution, improved shipping facilities, zoning laws, taxation, and techniques of increasing efficiency in packaging and transportation.

Better business bureaus exist in most large cities. They are composed of retailers, bankers, manufacturers, and other business enterprises, and are concerned essentially with the elimination of fraudulent and misrepresentative advertising and other practices and so-called rackets. In a talk before the Business-Consumer Relations Conference, in June 1939, the chairman of the board of the National Association of Better Business Bureaus, which in 1939 had a membership of about 60 local bureaus, summarized the better-business-bureau movement as follows:

During the past 25 years business has demonstrated its sincerity in efforts to police its advertising and selling practices by investing well over \$15,000,000 in the work of better business bureaus. * * * But, of more importance than this financial investment is the time and effort thousands of leading businessmen have devoted to this work as directors and officers of these bureaus. * * * Better business bureaus are not and should never be regarded as consumer organizations. They are business organizations. But the very nature of their work demands that every action taken must be in the consumer interest. * * * There is a vast difference in what the law says is illegal and what the consumer says is fair. A wide field of conduct must be covered by voluntary standards, enforced simply through the conscience and understanding of businessmen. It is in this field where cooperation between consumer, business, educators, and Government can be most effective.

Another type of local association is the commodity exchange, of which there were more than 50 in 1939. Usually the exchange deals only in a few raw-material commodities produced in the nearby area. The Federal Government on occasion has instituted cases involving the trade practice rules of commodity exchanges. One of the first of these implicated the Kansas City Livestock Exchange, in 1896, only a few years after the enactment of the Sherman act. The Department of Justice successfully alleged that there was an agreement prohibiting members from dealing with nonmember commission merchants. In 1910 the Chicago Butter and Egg Board was enjoined by the Federal circuit court from activities that had the tendency of fixing the prices of dairy products. The most famous case in this field was that of the Chicago Board of Trade, a commodity exchange. The Government alleged that this organization's rules prohibiting the quoting of prices when the exchange was not in session amounted to an illegal restraint of trade, but in 1913 the Supreme Court held that this regulation tended to promote rather than restrict free and open competition, and was not illegal. In 1925 the Federal District Court for the Western District of Washington enjoined the Seattle Produce Association from carrying out commodity exchange rules that had the tendency of controlling the amount of fruits and vegetables entering the Seattle market area, as well as from fixing prices for some of these products.

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